

## **Complaint**

Mr B has complained about a personal loan Madison CF UK Limited (trading as “118 118 Money”) provided to him. He says the loan was unaffordable and was therefore irresponsibly lent to him.

## **Background**

118 118 Money provided Mr B with a loan for £2,000.00 in May 2021. This loan had an APR of 35.9% and a term of 60 months. This meant that the total amount to be repaid of £3,943.20, including interest, fees and charges of £1,943.20, was due to be repaid in 60 monthly instalments of just over £65.

One of our investigators reviewed Mr B’s complaint and he thought that 118 118 Money ought to have realised that it shouldn’t have provided Mr B with his loan. So he thought that Mr B’s complaint should be upheld.

118 118 Money didn’t respond to our investigator’s assessment. So the case was passed to an ombudsman for a final decision as per the next step of our dispute resolution process.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr B’s complaint.

Having carefully considered everything I’ve decided to uphold Mr B’s complaint. I’ll explain why in a little more detail.

118 118 Money needed to make sure it didn’t lend irresponsibly. In practice, what this means is 118 118 Money needed to carry out proportionate checks to be able to understand whether Mr B could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

118 118 Money says it agreed to Mr B’s application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out and all of this information showed Mr B could

afford to make the repayments he was committing to. On the other hand, Mr B has said he shouldn't have been lent to.

I've carefully thought about what Mr B and 118 118 Money have said.

I can to some extent understand why 118 118 Money might argue that the relatively low monthly payments on this loan meant that a lighter touch affordability assessment was reasonable and proportionate here.

However, while I do acknowledge that the monthly payments here were low, I'm concerned that 118 118 Money's own checks showed that Mr B had an extended history of taking out payday lending. Furthermore, I'm also mindful that 118 118 Money needed to establish that Mr B could make the repayments to this loan for what was an extended period. In these circumstances, I think that 118 118 Money needed to find out more about Mr B's income and expenditure before determining that the payments were affordable.

I've therefore considered the further information Mr B has provided about his income and expenditure at the time of the loan. Having done so, I'm satisfied that Mr B was struggling to manage his existing commitments. The information provided also clearly shows why this was the case. So I think that proportionate checks would have shown 118 118 Money that Mr B was already struggling and this meant that he was unlikely to be able to repay this loan without borrowing further or suffering significant adverse consequences.

As this is the case, I do think that Mr B's existing financial position meant that he was unlikely to be able to afford the repayments to this loan, without undue difficulty or borrowing further. And I'm satisfied that reasonable and proportionate checks would more like than not have shown 118 118 Money that it shouldn't have provided this loan to Mr B. As 118 118 Money provided Mr B with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards him.

Mr B ended up paying and is still being expected to pay interest, fees and charges on a loan he shouldn't have been provided with. So I'm satisfied that Mr B lost out because of what 118 118 Money did wrong and that it should put things right.

### **Fair compensation – what 118 118 Money needs to do to put things right for Mr B**

Having thought about everything, 118 118 Money should put things right for Mr B by:

- removing all interest, fees and charges applied to Mr B's loan from the outset. The payments Mr B made, whether to 118 118 Money or any third-party debt purchaser, should be deducted from the new starting balance – the £2,000.00 originally lent. If Mr B paid more than £2,000.00 then 118 118 Money should treat any extra as overpayments. And any overpayments should be refunded to Mr B;
- adding interest at 8% per year simple on any overpayments, if any, from the date they were made by Mr B to the date of settlement†
- if no outstanding balance remains after all adjustments have been made, 118 118 Money should remove any adverse information it recorded about this loan from Mr B's credit file.

† HM Revenue & Customs requires 118 118 Money to take off tax from this interest. 118 118 Money must give Mr B a certificate showing how much tax it has taken off if he asks for one.

**My final decision**

For the reasons I've explained, I'm upholding Mr B's complaint. Madison CF UK Limited should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 11 September 2023.

Jeshen Narayanan  
**Ombudsman**