

The complaint

Miss S has complained about Madison CF UK Limited (trading as 118 118 Money) holding her liable for a debt which she says was the result of ID theft.

What happened

This complaint surrounds an unsecured personal loan of £5,000, taken out in Miss S's name in mid-2022.

Miss S has explained that her friend of some years offered to lend her money to help her start investing in cryptocurrency. He helped her to set up a crypto account, gathering her personal details as well as her account number and sort code in the process. He then used those details to apply for this loan with Madison, and told Miss S that the credit to her account was from one of the various businesses he owned. He convinced Miss S to forward the money on for his investment scheme, but ended up just taking all the money himself.

The friend then took out further loans in the same manner, continuing to tell Miss S these were from his own businesses. In the end, Miss S realised she'd been scammed, and the friend began threatening her.

Our investigator looked into things independently and partially upheld the complaint. They found that Miss S had not taken out the loan herself, but that she'd also not questioned things sufficiently, particularly as a later loan was paid into her account with a reference which made it clear it was a loan. So they thought she should be liable for the loan's principal, but not its interest, fees, or credit file implications.

Madison agreed to remove the interest and charges, and to remove the entry from Miss S's credit file. Miss S asked for an ombudsman to look at things afresh, so the complaint's been passed to me to decide.

I sent Miss S and Madison a provisional decision on 3 July 2023, to explain why I thought the complaint should be upheld. In that decision, I said:

Based on what I've seen so far, I don't think Miss S should be held liable for this particular loan – I'll explain why.

Both sides appear to accept that Miss S was scammed, and that the loan was taken out by someone else without her consent. This is also well supported by the evidence at hand. For example:

- *The loan was applied for using a phone number which does not match to Miss S, but did match up to entries for a man on the national fraud database;*

- The email address provided was not Miss S's actual verified one, and was only set up on the same day as the application;
- The IP address used does not match up to Miss S, was based in another city on the other side of the country from where she lived, and also flagged up on the national fraud database;
- While other personal details were correct, there is a clear point of compromise for them as the scammer asked Miss S for them to set up the crypto account;
- Miss S's testimony has been consistent and credible and is backed up by messages she saved with the scammer;
- These messages support that she thought this was a crypto investment scheme being funded from her friend's businesses, that the friend took the money, and that the friend went on to pressure and threaten her;
- The loan funds were sent on, along with some of Miss S's own money, and Miss S does not appear to have benefitted at all;
- Other loans were taken out shortly afterwards using matching details, and have been confirmed as being fraudulent;
- Another business carried out an identity check call. Having listened to the recording, the person they spoke to was clearly not Miss S, and sounds more like a man doing an impression of a woman.

Broadly speaking, Madison can't fairly hold Miss S to the terms of a loan agreement she didn't actually agree to. Nor should it fairly report an account on her credit file that she didn't actually take out. And I'm reasonably satisfied that Miss S didn't agree to this loan. So it follows that Madison shouldn't hold her liable for any interest or fees, nor report it on her credit file. I'm grateful to Madison for already agreeing to this.

I've also thought carefully about whether Miss S should be held liable for the principal of this loan. I understand our investigator's argument that she could – and should – have done more to verify what was really going on.

However, our investigator's main argument relied on the fact that a later loan was paid into Miss S's bank account with a reference that made it clear it was a loan. And as far as I can see, that happened after Miss S had received and spent the Madison loan. So it wasn't relevant at the time – it hadn't happened yet.

Meanwhile, the payment from Madison did not have a reference which made it clear or obvious it was a loan; Miss S had not received any correspondence from Madison herself as the contact details provided at application were fake; she hadn't received any other indication this was a loan; her friend of some time had pressured her and spun a consistent and somewhat believable story that this was money from his own business; and this was only the very first loan Miss S had been paid – at the time, no others had been paid to her yet, so she didn't yet have as strong of a basis on which to be concerned. As far as I can see, Miss S was tricked into sending on the money in good faith, and she didn't benefit from it herself at all.

I also need to consider whether Madison did enough to satisfy themselves that this was a genuine loan application. I do appreciate why they felt they might've had enough to grant this loan. But while they had been given some of Miss S's genuine details and done a credit file check, they didn't have a huge amount to rely on to positively confirm who was really applying, and I can't see that they carried out any more comprehensive identity or security checks. On the other hand, the email address used had only been set up that same day and couldn't be confirmed as genuine. The phone number provided did not match up to Miss S and instead linked to a man on the national fraud database. And the IP address used was based on the other side of the country from where Miss S lived, and also flagged up on the fraud database. And Madison don't appear to have had a prior relationship with Miss S, nor any prior contact with her that they could confirm as being genuine. So it looks like Madison had a reasonable basis on which to be concerned that this was not a genuine application.

In summary:

- *I'm satisfied that Miss S did not apply for this loan*
- *I can't see that she benefitted from it – indeed, it looks like she lost some of her own money in addition to all the loan funds*
- *It looks like Miss S was tricked into forwarding the money on innocently, and she didn't yet have a clear basis on which to know this was a loan in her name; and-*
- *It looks like Madison had reasonable grounds to doubt the authenticity of this loan application. I'm not satisfied that Madison had enough to conclude that this was a genuine application.*

On that basis, I don't currently think that Madison can fairly hold Miss S liable for this loan.

I said I'd consider anything else anyone wanted to give me – so long as I received it before 31 July 2023. Miss S agreed with the provisional decision. Madison didn't add anything further.

What I've decided – and why

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

Neither side have sent me any new evidence or arguments. So having reconsidered the case, I've come to the same conclusion as before, and for the same reasons as set out in my provisional decision above.

Putting things right

I direct Madison CF UK Limited to take this account out of Miss S's name, make sure she's not pursued for it any further, and disassociate her from it – including removing any record of it from her credit file.

My final decision

I uphold Miss S's complaint, and direct Madison CF UK Limited to put things right in the way I set out above.

If Miss S accepts the final decision, Madison CF UK Limited must carry out the redress within 28 days of the date our service notifies them of the acceptance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 29 August 2023.

Adam Charles
Ombudsman