

## **Complaint**

Mr L 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 so irresponsibly lent to him.

## **Background**

118 118 Money provided Mr L with a loan for £3,000.00 in June 2022. This loan had an APR of 37.9% and a term of 36 months. This meant that the total amount to be repaid of £4,741.92, including interest, fees and charges of £1,741.92, was due to be repaid in 36 monthly instalments of £131.72.

118 118 Money’s final response also referred to a credit card that was provided to Mr L in May 2022. However, Mr L’s completed complaint form specially refers to only referring the complaint about the loan. So we’ve only looked at Mr L’s complaint about his loan.

One of our adjudicators reviewed Mr L’s complaint and that thought that it didn’t do anything wrong when providing Mr L with his loan. So he didn’t recommend that Mr L’s complaint be upheld.

Mr L disagreed with our adjudicator’s assessment. So the case was passed to an ombudsman as per the next step of our dispute resolution process.

## **My provisional decision of 4 September 2023**

I issued a provisional decision – on 4 September 2023 - setting out why I intended to uphold Mr L’s complaint. I won’t copy that decision in full, but I will instead provide a summary of my findings.

I started by explaining that we’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And that I had used this approach to help me provisionally decide Mr L’s complaint.

118 118 Money needed to make sure it didn’t lend irresponsibly. In practice, what this means is that 118 118 Money needed to carry out proportionate checks to be able to understand whether Mr L 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. I considered what 118 118 Money had done in light of this.

The credit search 118 118 Money carried out appeared to show that Mr L had had difficulties with credit. He had a number of defaults on his credit file and Mr L was approaching for this loan shortly after having taken out a credit card with 118 118 Money. Bearing all of this in mind, I thought that 118 118 Money needed to find out more about Mr L's actual monthly expenditure before concluding that the payments to this loan were affordable for him.

Mr L provided us with evidence of his financial circumstances at the time he applied for his loan. I did accept that different checks might show different things. And just because something showed up in the information Mr L had provided, it didn't mean that it would have shown up in any checks 118 118 Money might have carried out.

But in the absence of anything else from 118 118 Money showing what this information would have shown, I thought that it was perfectly fair, reasonable and proportionate to place considerable weight on what this information said as an indication of what Mr L's financial circumstances were more likely than not to have been at the time.

I thought that it was also important to note that 118 118 Money was required to establish whether Mr L could sustainably make his loan repayments – not just whether the loan payments were technically affordable on a strict pounds and pence calculation. The loan payments being affordable on a strict pounds and pence basis might be an indication that a consumer could sustainably make the repayments.

But it didn't automatically follow that this was the case. And as a borrower shouldn't have to borrow further in order to make their payments, it followed that a lender should realise, or it ought fairly and reasonably to realise, that a borrower would not be able to sustainably make their repayments if it was on notice that they were unlikely to be able to make their repayments without borrowing further.

I carefully considered the information provided in light of all of this. The information provided showed that the reason for Mr L's indebtedness and apparent inability to manage his money. Given what I could see, it was apparent to me that Mr L was unlikely to have been able to repay his loan without borrowing further or experiencing financial difficulty.

As this was the case, I thought that Mr L'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 was 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 L.

As 118 118 Money provided Mr L with this loan, notwithstanding this, I was minded to conclude that it failed to act fairly and reasonably towards him. And I confirmed that it was my intention to uphold this complaint in my final decision.

Mr L ended up paying interest, fees and charges on a loan he shouldn't have been provided with. So I explained that it was my intention to find that Mr L lost out because of what 118 118 Money did wrong and issue a final decision which directed 118 118 Money to put things right for Mr L.

## **Responses to my provisional decision**

Neither Mr L nor 118 118 Money responded to my provisional decision or provided anything further to me to consider.

## **My findings**

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

I set out in some detail why I intended to uphold Mr L's complaint in my provisional decision of 4 September 2023. As I've not been provided with anything further by the parties to consider, I've not been persuaded to alter my conclusions. So overall and having considered everything, I'm still upholding Mr L's complaint and I remain satisfied that 118 118 Money needs to put things right.

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

Having thought about everything, I'm currently minded to conclude that 118 118 Money should put things right for Mr L by:

- removing all interest, fees and charges applied to the loan from the outset. The payments Mr L made, whether to 118 118 Money or any third-party debt purchaser, should be deducted from the new starting balance – the £3,000.00 originally lent. If Mr L has already repaid more than £3,000.00 then 118 118 Money should treat any extra as overpayments. And any overpayments should be refunded to Mr L;
- adding interest at 8% per year simple on any overpayments, if any, from the date they were made by Mr L to the date of settlement†
- if no outstanding balance remains after all adjustments have been made, all adverse information 118 118 Money recorded about this loan should be removed from Mr L's credit file.

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

## **My final decision**

For the reasons I've explained above and in my provisional decision of 4 September 2023, I'm upholding Mr L'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 L to accept or reject my decision before 19 October 2023.

Jeshen Narayanan  
**Ombudsman**