

## **Complaint**

Mr A 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 A with a loan for £3,000.00 in February 2020. This loan had an APR of 49.9% and a term of 24 months. This meant that the total amount to be repaid of £4,424.88, including interest, fees and charges of £1,424.88, was due to be repaid in 24 monthly instalments of £184.37.

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

Mr A 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 11 September 2023**

I issued a provisional decision – on 11 September 2023 - setting out why I intended to uphold Mr A’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 A’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 A 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.

Having considered the information provided, I noted that the credit search 118 118 Money carried out appeared to show that Mr A had had difficulties with credit. He had an active county court judgement (“CCJ”), was significantly indebted and had made approaching £4,000.00 in cash withdrawals on credit cards in the 12 months leading to this application.

Bearing all of this in mind, I was satisfied that 118 118 Money needed to find out more about Mr A's actual monthly expenditure before concluding that the payments to this loan were affordable for him.

Mr A had provided us with evidence of his financial circumstances at the time he applied for his loan. I accepted that different checks might show different things and just because something showed up in the information Mr A had provided, it didn't mean 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 for me to place considerable weight on what this information said as an indication of what Mr A'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 A 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 have been an indication that a consumer – such as Mr A - could sustainably make the repayments.

But it didn't automatically follow that this is 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 wouldn't 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 considered the information available in light of all of this.

The information provided showed me the reason for Mr A's indebtedness and apparent inability to manage his money. Given what I saw, it was apparent to me that Mr A was unlikely to have been able to repay this loan without borrowing further or experiencing financial difficulty.

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

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

I thought that Mr A ended up paying interest, fees and charges on a loan he shouldn't have been provided with. And this left me intending to find that Mr A lost out because of what 118 118 Money did wrong and issue a final decision directing 118 118 Money to put things right for Mr A.

### **Responses to my provisional decision**

Mr A confirmed that he accepted my provisional decision and didn't provide anything further to me to consider.

118 118 Money confirmed receipt of my provisional decision and said that it didn't have anything further for 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 A's complaint in my provisional decision of 11 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 A'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 A**

Having thought about everything, I'm satisfied that it would be fair and reasonable for 118 118 Money to put things right for Mr A by:

- refunding all interest, fees and charges Mr A paid on his loan;
- adding interest at 8% per year simple to any refunded payments from the date they were made by Mr A to the date of settlement†
- removing any and all adverse information it may have recorded about this loan from Mr A's credit file.

† HM Revenue & Customs requires 118 118 Money to take off tax from this interest. 118 118 Money must give Mr A 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 11 September 2023, I'm upholding Mr A'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 A to accept or reject my decision before 23 October 2023.

Jeshen Narayanan  
**Ombudsman**