

## **The complaint**

Miss M complains that Madison CF UK Limited trading as 118 118 Money lent irresponsibly when it approved her credit card application and later increased the credit limit.

## **What happened**

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

*In February 2021 Miss M applied for a credit card with 118 118 Money. In the application, Miss M said she was employed with an income of £1,690 a month. Miss M also said she was a council tenant in the application. No other regular outgoings were noted in the application. 118 118 Money says it carried out a credit check and found Miss M owed around £4,200 to other lenders, had some defaults that were over two years old and a County Court Judgement (CCJ) that was around two years old as well.*

*118 118 Money says it applied its lending criteria to Miss M's application and approved a credit card with a limit of £1,200.*

*118 118 Money went on to increase the credit limit to £2,000 in September 2021, £3,000 in March 2022 and £3,500 in December 2022.*

*Earlier this year, Miss M complained that 118 118 Money had lent irresponsibly and it sent her a final response on 14 March 2023. 118 118 Money said it had carried out reasonable checks when Miss M applied and before increasing the credit limit. 118 118 Money didn't uphold Miss M's complaint.*

*Miss M referred her complaint to this service and it was passed to an investigator. They thought 118 118 Money should've carried out better checks, like reviewing Miss M's current account statements to get a picture of her finances before approving the credit card or increasing the credit limit. The investigator reviewed Miss M's bank statements and said they showed her income was sufficient to meet the increased borrowing costs and didn't uphold her complaint.*

*Miss M asked to appeal and said that whilst the card was manageable when it was first approved, the increases to her credit limit had caused financial difficulties. Miss M added that she was using buy now pay later credit each month to make ends meet. As Miss M asked to appeal, her complaint has been passed to me to make a decision.*

## **What I've provisionally 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.*

*Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.*

*Before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, but it needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.*

*I agree with the investigator that the information provided in the application Miss M made didn't include any figures to show her regular outgoings. And I can see that 118 118 Money found some defaults and a CCJ that were over two years old at the point of application. In the circumstances, I think 118 118 Money should've done more to check Miss M could sustainably afford repayments to a new credit card and requested some further information from her.*

*Miss M has supplied bank statements from around the time her application was approved. I can see Miss M's income was made up wages she received and benefits. But the total income figure is somewhat higher than the one provided in the application. And I've looked at Miss M's regular outgoings for living expenses plus the cost of her existing credit. In my view, the statements show Miss M was in a position to manage repayments to a credit card as there were funds left once her living costs were paid. I haven't been persuaded 118 118 Money lent irresponsibly when it approved the credit card.*

*As I've set out above, the credit limit was increased from £1,200 to £3,500 in stages between September 2021 and December 2022. 118 118 Money says that each time it increased Miss M's credit limit it looked at her credit file and applied its lending criteria. Again, I think 118 118 Money should've carried out more comprehensive checks, like verifying Miss M's income or reviewing her bank statements.*

*I've looked at Miss M's bank statements for the periods surrounding each credit limit increase. Whilst I can see Miss M's income did vary over time, I didn't find evidence to show 118 118 Money had acted unreasonably by approving the credit limit increase to £2,000 in September 2021. In my view, Miss M's statements show she was in a position to maintain repayments at that level.*

*I've reached a different conclusion to the investigator concerning the subsequent credit limit increases. In response to the investigator, Miss M pointed out she was using Buy Now Pay Later credit for day to day shopping to help make ends meet. Essentially, Miss M was using short term credit to cover her living expenses each month. I've looked at Miss M's statement for the month before 118 118 Money increased her credit limit to £3,000 in March 2022. I found Miss M had Buy Now Pay Later repayments that totalled over £1,100 in the preceding month. Had 118 118 Money looked at Miss M's bank statements, I think it would've found she'd become reliant on credit to make ends meet and wouldn't have increased the credit limit to £3,000.*

*In much the same way, Miss M's bank statements from the period before the credit limit was increased to £3,500 show around 20 Buy Now Pay Later payments, totalling around £450. Again, I think this shows Miss M had become reliant on credit to manage normal living costs.*

*If 118 118 Money had seen Miss M's statements, I think it would've found Miss M had become reliant on credit and declined to offer further lending.*

*Based on the information I've seen so far, I intend to uphold Miss M's complaint and direct 118 118 Money to refund all interest, fees and charges applied to her credit card from March 2022 onwards on balances over £2,000.*

I invited both parties to respond with any additional information or comments they wanted me to consider before I made my final decision. Miss M responded to say she is willing to proceed in line with the provisional decision. 118 118 Money responded and said it wasn't looking to challenge the outcome I reached.

### **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.

As neither party has provided new information and both have confirmed they're willing to proceed, I see no reason to change the conclusions I reached. I still think Miss M's complaint should be upheld, for the same reasons.

### **My final decision**

My decision is that I uphold Miss M's complaint and direct Madison CF UK Limited trading as 118 118 Money to settle as follows:

- Rework Miss M's credit card balance to ensure all interest, fees and charges applied on balances over £2,000 from March 2022 onwards are refunded
- If the rework leaves Miss M's balance over £2,000, 118 118 Money should administer the account so interest is only charged on the first £2,000. 118 118 Money should also contact Miss M to discuss affordable payment plans to bring the balance below £2,000
- Any adverse information recorded about balance over £2,000 from March 2022 should be removed from Miss M's credit file once the balance is reduced to that level
- If the effect of all adjustments results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Miss M with 8% simple interest\* from the date the overpayments were made until settlement

\*HM Revenue & Customs requires 118 118 Money to deduct tax from this interest. 118 118 Money must give Miss M a certificate showing how much tax it's deducted if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 12 December 2023.

Marco Manente  
**Ombudsman**