

## The complaint

Mr S, through a representative, says Madison CF UK Limited, trading as 118 118 Money, irresponsibly lent to him.

## What happened

Mr S took out two loans from 118 118 Money. As both parties have now agreed, this service can only consider the second loan under the rules we must follow. This was for £2,935.87 over 24 months and was taken out in December 2015. The monthly repayments were £227.93 and the total repayable was £5,470.32.

Mr S says he got further into debt as 118 118 Money lent to him when he could not afford it. 118 118 Money says it carried out proportionate checks that showed this loan was affordable for Mr S.

Our investigator did not uphold Mr S's complaint. She found the lender's checks were not proportionate, but it could have fairly made the same decision had it carried out better checks.

Mr S disagreed with this assessment and asked for an ombudsman's review.

I reached a different decision to the investigator so I issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to send any comments or new information by 1 December 2023.

### *Extract from my provisional decision*

*118 118 Money has provided evidence to show that before lending it asked for some information from Mr S. It asked for his monthly income, his housing costs and his general living costs. It says it sense checked these against reasonable averages, it hasn't confirmed if it then made any adjustments. It carried out a full credit check to understand Mr S's credit history and his existing credit commitments. Based on these checks 118 118 Money thought it was fair to lend.*

*I am not wholly satisfied these checks were proportionate given some of the results the credit checks returned, but I won't comment further on this as even based on the information 118 118 Money did gather I don't think it made a fair lending decision. I'll explain why.*

*118 118 Money lent to Mr S on the understanding his monthly income was £1,800. It could see from the credit check he had £13,389 of debt. This loan cleared £935.87 of debt that he had on his first loan from 118 118 Money. Mr S said that the loan was for debt consolidation but I have found no evidence 118 118 Money asked which debts he intended to settle – and if on revolving accounts whether he would then close the account(s). I think this would have been important given Mr S's debt was largely on credit cards. 118 118 Money's lending decision meant he could still have credit exposure of £11,300 after taking this loan. So he could have needed to spend around 45% of his income on his credit commitments. As the industry knows such a level often generates financial difficulties. And I find 118 118 Money*

*ought to have been concerned this would not be sustainable and so not increased Mr S's indebtedness. Also, this loan with a 99.9% APR was most likely higher-cost debt that the credit card debt Mr S said he was going to repay.*

*Even assuming he did settle £2,000 of credit card debt and close the account(s) he would still need to spend around 38% of his declared income on monthly repayments – so 118 118 Money ought still to have been concerned.*

*In addition, I think there were other signs of financial instability that needed to be taken into account. The credit check showed Mr S had withdrawn £3,870 of cash on credit cards in the previous 12 months – and £8,451 in the previous 36 months. Whilst the adverse data (two defaults and a County Court Judgment in 2012) was somewhat historic, the CCJ still had not been settled.*

*So in the round I find 118 118 Money was wrong to lend to Mr S. I have not seen any evidence it acted unfairly towards Mr S in any other way.*

I then set out what 118 118 Money would need to do to put things right if I upheld Mr S's complaint.

Neither party responded to my provisional decision.

### **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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

As neither party sent in any comments or new evidence I have no reason to change the findings or outcome I set out in my provisional decision.

For the reasons set out above I find 118 118 Money was wrong to lend to Mr S.

### **Putting things right**

It's reasonable for Mr S to have repaid the capital amount that he borrowed as he had the benefit of that money. But he has paid interest and charges on a loan that shouldn't have been given to him.

So 118 118 Money must:

- Remove all interest, fees and charges on the loan and treat all the payments Mr S made as payments towards the capital.
- As reworking Mr S's loan account will result in him having effectively made payments above the original capital borrowed, then 118 118 Money should refund this money to Mr S - 8% simple interest should be applied to the overpayments, from the date the overpayments would have arisen, to the date of settlement\*.
- Remove any adverse information recorded on Mr S's credit file in relation to the loan.

\*HM Revenue & Customs requires 118 118 Money to deduct tax from this interest. 118 118 Money should give Mr S a certificate showing how much tax it's deducted if he asks for one.

**My final decision**

I am upholding Mr S's complaint. Madison CF UK Limited, trading as 118 118 Money, must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 1 January 2024.

Rebecca Connelley  
**Ombudsman**