

Complaint

Mr L has complained about a loan Madison CF UK Limited (trading as “118 118 Money”) provided to him. He says the loan was unaffordable.

Background

118 118 Money provided Mr L with a loan for £3,000.00 in February 2023. This loan was due to be repaid in 36 monthly instalments of £144.87.

I understand that Mr L also took out a credit card with 118 118 Money. But we’re looking at the complaint about that matter separately. And this decision is only looking at whether 118 118 Money acted fairly and reasonably towards Mr L when it provided him with his loan.

One of our investigators reviewed what Mr L and 118 118 Money had told us. And she thought that 118 118 Money hadn’t done anything wrong or treated Mr L unfairly. So she didn’t recommend that Mr L’s complaint be upheld.

Mr L disagreed with our investigator’s assessment and asked for an ombudsman to look at his complaint.

My findings

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

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

Having carefully considered everything, I’ve not been persuaded to uphold Mr L’s complaint. I’ll explain why in a little more detail.

118 118 Money needed to make sure that it didn’t lend irresponsibly. In practice, what this means is 118 118 Money needed to carry out proportionate checks to be able to understand whether Mr L could afford to repay before providing this loan.

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.

118 118 Money says it agreed to Mr L’s application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against

information on a credit search it carried out and all of this information showed Mr L could afford to make the repayments he was committing to.

On the other hand, Mr L has said that the monthly payments for the loan were unaffordable to him and caused him hardship so he shouldn't have been lent to.

I've carefully thought about what Mr L and 118 118 Money have said.

The first thing for me to say is that this was Mr L's first loan with 118 118 Money. Even though this was the case, given the circumstances – in particular the amount being borrowed in combination with the total charge for credit - I would have expected 118 118 Money to find out a bit more about Mr L's actual living expenses before it decided to lend to him.

That said, I'm not in a position to say that obtaining further information on Mr L's actual living costs would have made a difference to 118 118 Money's decision to lend in this instance. I say this because despite having been asked to provide information regarding his financial position at the time in the form of bank statements, Mr L has been unable to do so. And given just how recent this application was, I don't think that it is unreasonable to require this information even if Mr L is no longer a customer of the same bank.

So I simply don't have sufficient evidence to support that Mr L finances at the time were such that when his committed regular living expenses and existing credit commitments were deducted from his monthly income, he didn't have the funds to sustainably make the repayments due under this agreement. I say this particularly as he has been up to date on this loan and the credit file Mr L has provided indicates he's been making his other credit payments too.

I accept that Mr L says that his actual circumstances at the time were worse than what 118 118 Money concluded. I'm also sorry to hear that he's been off sick from work and has found things difficult. I also accept that if 118 118 Money had gone into the depth of checks Mr L appears to be saying it should have – such as obtaining bank statements – it's possible it may have reached a different decision.

But given I've not been provided with the information to make this conclusion and this is not actually what 118 118 Money needed to find out, I've simply not been provided with enough to show me that these payments were actually unaffordable for Mr L – let alone that reasonable and proportionate checks would have shown this to be the case.

As this is the case, I'm afraid that I cannot reasonably conclude that reasonable and proportionate checks would have shown that this loan was unaffordable Mr L. Therefore, I've not been persuaded that 118 118 Money did anything wrong when deciding to lend to Mr L.

So overall I don't think that 118 118 Money treated Mr L unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr L's complaint. I appreciate this will be very disappointing for Mr L. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 15 January 2024.

Jeshen Narayanan
Ombudsman