

Complaint

Mr M has complained about a loan Madison CF UK Limited (trading as “118 118 Money”) provided to him. He says the loan was unaffordable and provided when he was going through a difficult time.

Background

118 118 Money provided Mr M with a loan for £2,000.00 in January 2022. This loan was due to be repaid in 12 monthly instalments of £214.22.

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

Having carefully considered everything, I've not been persuaded to uphold Mr M'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 M 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 M'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 M could afford to make the repayments he was committing to.

On the other hand, Mr M 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 M and 118 118 Money have said.

The first thing for me to say is that this was Mr M's first loan with 118 118 Money. And 118 118 Money has provided an output of the income and expenditure information recorded at the time of Mr M's application as well as a record of the results of its credit searches.

118 118 Money's searches appear to show that Mr M did have some previous difficulties with debt in the form of a defaulted credit account but this was historic as it was from almost two and a half years prior. Equally, Mr M's active unsecured debt total at the time of the application was low in comparison to his income.

Nonetheless as Mr M had previously defaulted on a credit account, I would have expected 118 118 Money to find out a bit more about Mr M's actual living expenses before it decided to lend to him. That said, I don't think that obtaining further information on Mr M's actual living costs would have made a difference to 118 118 Money's decision to lend in this instance.

I say this because I've not been provided with anything at all to show that when Mr M's committed regular living expenses and existing credit commitments were deducted from his monthly income, he did not have the funds to sustainably make the repayments due under this agreement. This is in circumstances where Mr M has been asked to provide this information.

I do accept that Mr M says that his actual circumstances at the time meant that he's ended up in arrears on his council tax and rent in order to make the payments to this loan. However, Mr M has not provided any evidence of these arrears despite having been asked to do so. And given the amount of the payments for this loan and the period of time that they were required to be made, it's difficult to conclude that the payments in themselves are solely responsible for the arrears Mr M has described. I say this particularly as Mr M's credit commitments were relatively up to date at the time of his loan application.

Furthermore, if Mr M was told by 118 118 Money that not making payments to his loan could result in adverse credit file reporting, in the way he says he was, I don't think that this would have been unfair or unreasonable. I say this because this is a consequence of missing payments on a credit agreement and the regulator's rules require a lender to notify a customer of this fact both during an application and should a customer say they are unable to make payments.

I'd also add that as this was a first loan 118 118 Money was providing to Mr M, he had a low amount of active debt and there wasn't a history of Mr M obtaining funds and then returning for more, I'm satisfied that 118 118 Money was reasonably entitled to believe that this loan would not increase Mr M's indebtedness in a way that was unsustainable or otherwise harmful either.

As this is the case, and I've not been provided with anything to demonstrate that reasonable and proportionate checks would have shown this loan to be unaffordable for Mr M, I don't think that 118 118 Money did anything wrong when deciding to lend to Mr M.

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

Although I'm not upholding Mr M's complaint, I would remind 118 118 Money of its obligation to exercise forbearance and due consideration (bearing in mind what it is now aware of) in the event that it intends to collect the remaining payments on the agreement and Mr M is experiencing financial difficulty.

I'd also encourage Mr M to get in contact with 118 118 Money so that a repayment plan which works for both sides can be set up and eventually clear the amount that Mr M owes here.

My final decision

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

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

Jeshen Narayanan
Ombudsman