

The complaint

Mr I complains that Madison CF UK Limited trading as 118 118 Money irresponsibly provided him with a credit card account which was unaffordable for him.

What happened

In August 2022 Mr I applied for a credit card with 118 118 Money which was approved. The card had a credit limit of £1,200 and an APR of 39%. Mr I declared a monthly income of around £2,700 and said he had outgoings of around £1,750 which would have left a disposable income of about £950pm.

118 118 Money carried out a credit reference check on Mr I before agreeing to provide him with the credit card account. This check revealed that Mr I had total balances outstanding of around £14,600 and had 12 active accounts, three of which he had opened in the last six months. Mr I's existing accounts included two loans, a catalogue account and three credit cards.

After Mr I received the credit card, he quickly reached its limit and has missed two payments incurring charges. He has usually made only the contractual monthly minimum payment towards the balance. Mr I says he can't sustainably afford the credit card and 118 118 Money should have conducted proper checks into his financial situation. He made a complaint to 118 118 Money who didn't uphold it, and so Mr I raised a complaint with this service.

Our investigator recommended that Mr I's complaint should be upheld as she didn't think 118 118 Money had acted fairly in providing Mr I with the credit card account. She said that the credit file check had revealed information which suggested that Mr I was becoming reliant on credit. Our investigator said that if further proportionate checks had been carried out then 118 118 Money would have discovered that the credit card wasn't sustainably affordable for him.

Our investigator said it would be fair for 118 118 Money to rework Mr I's credit card account and remove all the interest and charges that had been added to the balance. If this led to a credit balance, then that amount should be refunded to Mr I with interest.

Mr I agreed with the view of our investigator but 118 118 Money disagreed. It said that Mr I's credit check revealed he had paid his accounts as required, there were no active payday loans and the default registered in 2019 had been satisfied. 118 118 Money said the evidence didn't support that it hadn't carried out proportionate checks on the credit card's affordability for Mr I.

As the parties were unable to reach an agreement the complaint has been passed to me.

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 approach to unaffordable or irresponsible lending complaints on our website and I've considered this when deciding Mr I's complaint.

The rules and regulations in place throughout 118 118 Money's lending relationship with Mr I required it to carry out an assessment of whether he could afford to repay what he owed in a sustainable manner. Any such assessment needed to be "borrower focused", meaning they should focus on the affordability of repayments and the potential for adverse financial impact on Mr I, rather than on the likelihood the credit would be repaid. Any assessment needed to be proportionate to the circumstances.

There isn't a prescribed list of checks a lender should make. But the kind of things I would expect lenders to consider are the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I would also expect it to have had access to information on the operation of each of the accounts. And I would look to see if the checks carried out had been proportionate to the amount of credit offered.

However, this isn't an exhaustive list and even if not all of these checks were carried out, I wouldn't necessarily think the lending had been irresponsible.

Here, Mr I applied for a credit card with 118 118 Money who carried out a credit check. I've seen that Mr I had disclosed an income of around £40,000 per year and at the time of making this application had a total outstanding credit balance of about £14,600 so he owed about 35% of his gross annual income. I've also seen that in the six months prior to applying for this card he had taken out two loans, the last one about three months before. He had also used a payday loan in or around April 2022.

I think the number of credit accounts Mr I was opening in a relatively short time plus the use of a payday loan should have alerted 118 118 Money that Mr I was likely becoming reliant on credit. Further, that Mr I appeared to often make minimum payments, that his catalogue account and one credit card account had been used up to their limits all suggest a cycle of debt. So, I think in these circumstances that it would have been proportionate and reasonable for 118 118 Money to have asked further questions about Mr I's financial situation to verify that the repayments on the card were affordable.

I don't know what additional checks 118 118 Money would have undertaken. If it had asked for proof of income or further details about his expenses, then looking at the bank statements Mr I has provided to this service, I think it would have been clear that his income wasn't sustaining his expenses. These statements, which cover the three months before the credit card was provided, show Mr I made 14 withdrawals from businesses offering lines of credit totalling over £3000, they also show a heavy reliance on an overdraft. Taking into account that one of Mr I's loans and this other form of borrowing is high cost due to the applied interest then I think it's reasonable to say that based on his income and expenses Mr I would not have the means available to him to sustainably pay the credit card limit. The provision of the credit card was only adding to his indebtedness.

Although I don't think 118 118 Money carried out proportionate and reasonable checks in respect of Mr I's ability to sustainably repay the credit, I haven't seen any evidence that it treated him unfairly in any other way. So although I'm going to ask it to put right the decision to approve the credit card account I'm not going to ask it to pay Mr I compensation.

As Mr I has received benefit from the money he's borrowed, I think it's fair that he

remains liable for any remaining amount outstanding. But I am instructing 118 118 Money to refund interest and charges to Mr I's credit card account. In the event that the refunded interest and charges result in a surplus balance falling due to Mr I, then 118 118 Money should also add interest of 8% simple to this figure.

Finally, I don't believe that it's fair or reasonable for Mr I's credit file to be adversely impacted by 118 118 Money's decisions. So, once the outstanding balance has been repaid, I'm asking 118 118 Money to remove any related adverse information reported from Mr I's credit file.

Putting things right

I'm upholding Mr I's complaint. I'm asking 118 118 Money to do the following:

- Refund all charges and interest relating to any balance owed on the credit card
- If an outstanding balance remains owed on the account once the refund has been made, then it should contact Mr I to discuss a suitable repayment plan.
- If the effect of refunding all interest, fees and charges leaves a credit balance on the account, the balance should be treated as an overpayment and returned to Mr I along with 8% interest from the date of payment until the date of settlement.
- Amend Mr I's credit file to reflect the new monthly balance after refund of interest and charges.
- Remove any related adverse information from Mr I's credit file once the outstanding balances have been repaid.

My final decision

For the reasons set out above I'm upholding Mr I's complaint. I'm asking that Madison CF UK Limited trading as 118 118 Money do the following:

- Refund all charges and interest relating to any balance owed on the credit card
- If an outstanding balance remains owed on the account once the refund has been made, then it should contact Mr I to discuss a suitable repayment plan.
- If the effect of refunding all interest, fees and charges leaves a credit balance on the account, the balance should be treated as an overpayment and returned to Mr I along with 8% interest from the date of payment until the date of settlement.
- Amend Mr I's credit file to reflect the new monthly balance after refund of interest and charges.
- Remove any related adverse information from Mr I's credit file once the outstanding balances have been repaid.

If HM Revenue & Customs requires Madison CF UK Limited trading as 118 118 Money to take off tax from this interest. Then it must give Mr I a certificate showing how much tax it has taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 6 May 2024.

Jocelyn Griffith
Ombudsman