

Complaint

Miss K has complained about loans Madison CF UK Limited (trading as “118 118 Money”) provided to her. She says the loans were unaffordable.

Background

118 118 Money provided Miss K with a first loan for £1,000.00 in November 2020. This loan was due to be repaid in 12 monthly instalments of £115.40. In October 2021, Miss K was provided with a second loan for £2,217.13. £217.13 of the funds from loan 2 went towards settling the balance that remained on loan 1. This loan had a 36-month term with monthly repayments of £107.19.

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

Miss K disagreed and asked for an ombudsman to look at her 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 Miss K's complaint.

Having carefully considered everything, I've decided not to uphold Miss K'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 Miss K 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 provided Miss K with loans for £1,000.00 and £2,217.13 in November 2020 and October 2021. These loans were due to be repaid in 12 and 36 monthly instalments respectively.

118 118 Money says it agreed to Miss K's applications after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on a credit search it carried out. And all of this information showed Miss K could comfortably afford to make the repayments she was committing to. On the other hand, Miss K has said the loans were unaffordable.

I've carefully thought about what Miss K and 118 118 Money have said.

118 118 Money has provided a record of the results of its credit searches. The information obtained suggests that Miss K didn't have much in the way of outstanding debt at the time of either application and what she did have was being managed relatively well. For example, there was no significant adverse information recorded such as defaulted accounts or other things like cash withdrawals on credit card which might have suggested that she was struggling or called into question the information she provided.

Bearing in mind what the searches showed, I think that the checks carried out before loan 1 was provided were reasonable and proportionate. And at the absolute best, it could be argued that 118 118 Money might have needed to find out more about Miss K's actual living costs when loan 2 was being provided.

As I think there's an argument that more could have been done before 118 118 Money lent loan 2 to Miss K, I've considered the information she has provided with a view to understanding what doing more is likely to have shown. And having done so, it does appear to me that when Miss K's committed regular living expenses and existing credit commitments were deducted from her monthly income, she did have the funds, at the time at least, to sustainably make the repayments due under loan 2.

I accept it's possible that Miss K's actual circumstances at the time might have been worse than what the information she's provided shows. I note what she's said about her income and her rent. But the key here is that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. And bearing in mind what the bank statement information Miss K has provided shows, I don't think that doing more could reasonably have led to 118 118 Money to have known that the payments to loan 2 were unaffordable.

I've also kept in mind that 118 118 Money provided a second loan to Miss K and that sometimes repeat borrowing in itself can be an indication of difficulty. But while the amount advanced for loan 2 was higher, Miss K had pretty much completed the term for loan 1. And the monthly payment she would have for loan 2 was less than it was for loan 1.

So while the pattern of lending here has seen me take a closer look at the individual applications, I'm satisfied that it ought to have been obvious to 118 118 Money that Miss K might have taken loan 2 because of the effect loan 1 left on her finances. And there isn't anything else obvious in the application for loan 2 which ought reasonably to have led 118 118 Money to conclude that loan 2 would increase Miss K's indebtedness in a way that was unsustainable or otherwise harmful.

Overall and having considered everything, I don't think that 118 118 Money did anything wrong when deciding to lend to Miss K – I think that the checks carried out for loan 1 were reasonable and proportionate and further checks would not show loan 2 to be individually unaffordable. Furthermore, the second loan was provided in circumstances where Miss K's indebtedness, to 118 118 Money at least, didn't appear to be increasing unsustainably.

So I don't think that 118 118 Money treated Miss K unfairly or unreasonably when providing her with her loans. And I'm not upholding Miss K's complaint. I appreciate this will be very

disappointing for Miss K. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 20 March 2024.

Jeshen Narayanan
Ombudsman