

The complaint

Mrs M, through a representative, complains that Madison CF UK Limited, trading as 118 118 Money, irresponsibly lent to her.

What happened

Mrs M applied for a credit card from 118 118 Money in December 2018. She was given a credit limit of £250. There was no interest payable under the agreement, instead each month Mrs M had to pay a subscription fee of £8, plus a minimum of 1% of the statement balance.

Mrs M says 118 118 Money failed to conduct proportionate checks and should have done more before lending.

Our investigator considered the information provided by Mrs M and 118 118 Money, and he didn't find the lending was irresponsible. He said the checks were proportionate, and based on the results 118 118 Money's lending decisions were fair.

Unhappy with this assessment Mrs M asked for an ombudsman's review. She said her credit file in the six months before she applied for this credit card showed she had opened four new revolving accounts, been in excess of her credit limits 13 times and made 12 late payments. She said the lender's checks ought to have picked up on this. So 118 118 Money was wrong to approve her application.

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.

118 118 Money will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint about unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

To decide if 118 118 Money lent responsibly I need to consider if its checks were proportionate; if not, what would better checks most likely have shown; then did it make a fair lending decision; and finally did it treat Mrs M unfairly in some other way.

I can see 118 118 Money asked for certain information from Mrs M before lending – her income and employment status and her residential status. It used national statistics to estimate her living costs and completed a credit check to understand her credit commitments and credit history. From these checks combined it concluded Mrs M had disposable income of £1,645.63 and so could afford this credit card.

I think these checks were proportionate given the level of credit offered and the monthly cost relative to Mrs M's declared income. And I think, 118 118 Money made a fair lending decision based on the information it gathered. I'll explain why.

Mrs M declared a net monthly income of £2,720. 118 118 estimated that her housing costs were £300 and her living costs £680. It has said these assumptions were based on reasonable averages. It allocated £94.37 a month for her existing credit repayments, but I think this ought to have been slightly higher at £103 to allow a sustainable 5% repayment of her revolving balances. But this minor amend does not change the finding that Mrs M had the disposable income to afford this card.

118 118 Money has shared the results of its credit check. They showed Mrs M had £2,057 of debt across six active accounts. There were no arrears, she had only once made a minimum payment in the last 12 months and she was not using her overdraft facility. So in the round her finances seemed well managed and she was not over indebted. On this basis I think it was reasonable for 118 118 Money to conclude that giving its card to Mrs M would not be financially harmful.

Mrs M says this was not accurate - she had opened four new revolving accounts, been in excess of her credit limits 13 times and made 12 late payments in the six months before she applied. But this information was not contained in the credit check 118 118 Money completed. There can be differences between the data a consumer will see on their full credit file and the results of a lender's check. This can be for a number of reasons, including a timing lag, or the fact not all lenders report to all the agencies. However, this does not change my conclusion as I can only fairly expect 118 118 Money to respond to the results of its checks - which I found to be proportionate. And to be clear, I am not saying Mrs M's financial position may not have been exactly as 118 118 Money understood, rather that in the circumstances of this credit application it would not have been proportionate for the lender to carry out the level of financial review needed to discover this.

It follows I do not find 118 118 Money was wrong to lend to Mrs M. And I have seen no evidence it acted unfairly towards Mrs M in some other way.

My final decision

I am not upholding Mrs M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 18 April 2024.

Rebecca Connelley
Ombudsman