

Complaint

Mr C 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 C with a loan for £3,500.00 in February 2020. This loan was due to be repaid in 12 monthly instalments of £423.25.

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

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

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

The first thing for me to say is that this was Mr C'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 C's application as well as a record of the results of its credit searches.

118 118 Money's searches appear to show that Mr C did have some previous difficulties with credit in the form of a defaulted account. But this was historic as it was from approaching four years prior to this application. Equally, Mr C's active unsecured debt total at the time of the application was relatively low in comparison to his income. So I don't think that there was anything the credit searches that in itself stood out as an obvious reason not to lend to him.

Nonetheless (and unlike our investigator) as Mr C had previously defaulted on a credit account and bearing in mind the monthly payments to this loan, I would have expected 118 118 Money to find out a bit more about Mr C's actual living expenses before it decided to lend to him. That said, I don't think that obtaining further information on Mr C's actual living costs would have made a difference to 118 118 Money's decision to lend in this instance.

I say this because what I've been provided with from Mr C suggests that when his committed regular living expenses are added to his existing credit commitments and then deducted from his monthly income, he appears, at the time at least, to have the funds to sustainably make the repayments due under this agreement.

It looks like the reason why Mr C may have had difficulty repaying this loan is to do with factors other than his regular living expenses. And I accept that if 118 118 Money had seen this it's possible – but by no means certain – that it might have reached a different lending decision here. But 118 118 Money didn't see this information.

Furthermore, I don't think that reasonable and proportionate checks would have extended into 118 118 Money requesting copies of Mr C's bank statements (which have shown me why Mr C might have gone on to have difficulty) in the way that he appears to be suggesting. It simply needed to find out more about Mr C's regular living costs. And requesting bank statements wasn't the only way that it could have done this as it could have instead requested information such as copies of bills.

As this is the case, I'm not persuaded that reasonable and proportionate checks would have shown this loan to be unaffordable for Mr C. So I don't think that 118 118 Money doing further checks would have made a difference here and so it did not do anything wrong when deciding to lend to Mr C.

Overall I don't think that 118 118 Money treated Mr C unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr C's complaint. I appreciate this will be very disappointing for Mr C. 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 C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 18 July 2024.

Jeshen Narayanan
Ombudsman