

## **The complaint**

Mr G complains that Madison CF UK Limited (trading as 118 118 Money) lent irresponsibly.

## **What happened**

118 118 Money approved Mr G for a credit card with a £1,200 limit on 3 July 2021.

Mr G says 118 118 Money didn't carry out proper affordability checks before it approved the card. He says he'd already had loans from 118 118 Money and was in persistent debt. Mr G says that if his bank statements had been assessed, it would have been evident he had a gambling issue. He adds that he now has massive debts, and it's affected his mental health.

118 118 Money says Mr G was asked to provide information about his income and expenditure and this was compared with information found on his credit file. It says it was satisfied that the credit card was correctly approved.

Our investigator did not recommend the complaint should be upheld. He was satisfied that 118 118 Money carried out appropriate checks which showed the credit card was affordable.

Mr G responded to say, in summary, that 118 118 Money should have done more to protect him as it should have known he was gambling.

## **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.

I need to take into account the relevant rules, guidance and good industry practice.

Bearing this in mind, in coming to a decision on Mr G's case, I've considered the following:

- Did 118 118 Money complete reasonable and proportionate checks when assessing Mr G's application to satisfy itself he'd be able to sustainably repay the credit?
  - If not, what would reasonable and proportionate checks have shown?
- Did 118 118 Money make a fair lending decision?
- Did 118 118 Money act unfairly or unreasonably in some other way?

When Mr G applied for the 118 118 Money card, I've seen evidence to show 118 118 Money checked his credit file and asked him about his income and housing costs. These checks showed:

- Mr G was self-employed;
- He had a verified monthly income of £2,822;
- Mortgage costs of £226;
- Existing credit commitments of £989 per month comprising:
  - One car finance account with repayments of £261 per month;
  - One loan with repayments of £202 monthly;
  - Five credit card accounts with a total balance of £9,461 and a combined limit of £10,550;
  - Two overdrafts totalling £1,690;
  - A mail order account with monthly repayments of £10;
- No negative information on Mr G's credit file;
- Cash advances on Mr G's credit card totalling £812 in the last 12 months – the most recent of which was in April 2021;
- Other expenditure estimated at £626 per month.

Based on the above I'm not satisfied that 118 118 Money's checks went far enough. I say that because:

- A credit card is a long-term, open-ended credit facility and 118 118 Money needed to ensure it was sustainably affordable;
- Mr G's existing credit commitments, excluding the mortgage, were 35% of his income – this rose to 37% with the new lending (and 45% including the mortgage);
- Mr G was using his credit cards for regular cash advances which can be an indication of financial difficulty;
- 118 118 Money used an estimate for Mr G's other expenditure.

So, I've had a look at Mr G's bank statements from the time as a reasonable proxy for what proportionate checks are likely to have shown:

- Mr G's regular income was roughly the same as the figure used by 118 118 Money;
  - There were also additional ad hoc income figures that I've excluded from this analysis;
- His mortgage was £226;
- Loan repayments were £524 per month;
- Fees and overdraft interest came to around £90;
- His minimum repayments to his existing credit cards were about £480;
- Mr G's other regular monthly expenditure, including council tax, utilities, car tax, insurances, TV and phone costs, was around £820 per month;

This left Mr G with at least £680 per month with which to buy food and fuel and for other discretionary spend.

As Mr G's credit card was approved with a modest limit of £1,200, I don't find 118 118 Money acted irresponsibly by doing so because:

- Mr G had sufficient disposable income to sustainably afford the new credit card;

- He was receiving additional income each month which was not included in the disposable income calculation;
- All his active credit accounts were up to date;
- Although he'd already had three loans from 118 118 Money, these had all been repaid early and the last one was closed in September 2019;
- There was no clear evidence of a gambling issue in the months prior to the lending.

So, in summary, I can't conclude 118 118 Money made an unfair lending decision with regard to the approval of the card.

Finally, I've also considered whether 118 118 Money acted unfairly or unreasonably in any other way, including whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think 118 118 Money lent irresponsibly to Mr G or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 14 August 2024.

Amanda Williams  
**Ombudsman**