

Complaint

Mr T has complained about a loan Madison CF UK Limited (trading as “118 118 Money”) provided to him.

He says that 118118 Money ought to have known that he was constantly using his large overdraft and other credit cards and therefore ought to have known the loan was unaffordable.

Background

Mr T was also provided with a credit card, as well as a loan, by 118 Money. But as 118 118 Money upheld Mr T’s complaint about the credit card and did what we’d normally expect a lender to do when upholding a complaint about a card that was irresponsibly provided, we’ve not looked into that complaint. And this decision is solely looking at the complaint about Mr T’s loan.

118 118 Money provided Mr T with a loan for £5,000.00 in March 2022. This loan was due to be repaid in 36 monthly instalments of £219.47.

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

Mr T 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 T’s complaint.

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

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

The first thing for me to say is that this was Mr T'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 T's application as well as a record of the results of its credit searches. I accept that Mr T did have a default recorded against him. But given this was from 2017, I don't think that it was unreasonable for 118 118 Money to place less weight on this account than Mr T's more recent accounts.

118 118 Money's searches appear to show that Mr T's active unsecured debt total at the time of the application was low in comparison to his declared income which had been validated against information from credit reference agencies on the amount of funds going into his main bank account each month. So I don't think that there was anything the credit searches which stood out to indicate that the monthly payments may have been affordable, or as an obvious reason not to lend to him.

At the absolute most, it could be said that the monthly payments as well as the cost for credit might have necessitated 118 118 Money finding out a bit more about Mr T's actual living expenses. However, I don't think that 118 118 Money obtaining further information on Mr T's actual living costs would have made a difference to its decision to lend in this instance.

I say this because what I've been provided with from Mr T suggests that when his committed regular living expenses from the time 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.

I do accept that Mr T's actual circumstances at the time were worse than what the information about his living costs shows. For example, having looked at Mr T's bank statements I can see significant gambling. It's also possible – but by no means certain – that 118 118 Money might have decided against lending to Mr T had it seen this.

But the truth is, given the circumstances here and what 118 118 Money needed to find out, I don't think that reasonable and proportionate checks would have extended into obtaining bank statements – especially as bank statements weren't the only way that 118 118 Money could find out about Mr T's living expenses in the first place.

And proportionate checks certainly wouldn't have gone into the level of granularity whereby 118 118 Money ought reasonably to have picked up on Mr T's gambling either. So I don't think that 118 118 Money was aware, or that it could reasonably have been aware, of Mr T's gambling when it provided this loan to him.

As this is the case, I'm not persuaded that even if 118 118 Money had carried out further checks, this would have shown the monthly payments to this loan to be unaffordable for

Mr T. 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 T.

In reaching this conclusion I've also considered whether the lending relationship between 118 118 Money and Mr T might have been unfair to Mr T under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think 118 118 Money irresponsibly lent to Mr T or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here. So I'm not upholding this complaint.

I appreciate this will be very disappointing for Mr T. 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 T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 9 September 2024.

Jeshen Narayanan
Ombudsman