

## **The complaint**

Mr P complains that Madison CF UK Limited trading as 118 118 Money lent irresponsibly when they approved his credit card application and later increased the credit limit.

## **What happened**

Mr P made a credit card application to 118 118 Money around April 2021. In the application, Mr P said he was employed full time with a monthly income of £2,286. Mr P said he was living in rented accommodation but didn't provide any other details about his financial situation. He said 118 118 Money accepted his application and gave him a credit card account with a credit limit of £1,200. And in December 2021 they increased his credit limit to £1,700. Mr P said 118 118 Money hadn't sufficiently checked his ability to sustain his repayments which he struggled to do. He complained to 118 118 Money.

118 118 Money said they'd used Mr P's application data and industry standard verification checks to assess his income and outgoings. They'd verified his income and as he hadn't provided any details of his outgoings, they'd used statistical data to assess this. Based on this information they'd accepted Mr P's application. They said they checked each month the management of the account and in December 2021, after further verification checks were made they offered Mr P a credit limit increase as they deemed the lending affordable.

Mr P wasn't happy with 118 118 Money's response and referred his complaint to us.

Our investigator said 118 118 Money had carried out reasonable and proportionate checks before approving Mr P's credit card application and when they'd increased the credit limit. He said based on these checks 118 118 Money had made a fair lending decision.

Mr P didn't agree and asked for an ombudsman to decide.

I issued a provisional decision in August 2024 that said:

## **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.

*Having done so I'm currently minded to reach a different outcome to that of our investigator, I'll explain why.*

*I understand Mr P has complained about other lending with 118 118 Money which has been resolved. But his credit card account remains in dispute. So, in my decision I'm only considering Mr P's credit card account.*

*Before agreeing to lend, 118 118 Money needed to complete reasonable and proportionate checks to ensure that Mr P was able to sustainably repay what was being lent to him. There isn't a set list of checks that a lender has to carry out. But lenders are required to have regard to things like the amount being lent, the total amount repayable, the monthly repayments and the consumers individual circumstances when deciding what's reasonable*

*and proportionate.*

*There are two overarching questions I need to consider to decide what's fair and reasonable in all of the circumstances of the complaint. These are:*

*1. Did 118 118 Money complete reasonable and proportionate checks to satisfy themselves that Mr P would be able to repay the credit in a sustainable way?*

*a. if so, did 118 118 Money make a fair lending decision?*

*b. if not, would reasonable and proportionate checks have shown that Mr P could sustainably repay the borrowing?*

*2. Did 118 118 Money act unfairly or unreasonably in some other way?*

*The Financial Conduct Authority's (FCA) Consumer Credit Sourcebook (CONC) provides examples of the factors that need to be considered and the circumstances, under which, they should be applied. I've considered the checks 118 118 Money did.*

*April 2021, Account opening – credit limit £1,200*

*What's important to note is that, in this instance, Mr P was provided with a revolving credit facility rather than a loan. And this means that 118 118 Money was required to understand whether a credit limit of £1,200 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £1,200 required a monthly payment in order to clear the full amount owed within a reasonable period of time this being around £60.*

*118 118 Money needed to take reasonable steps to determine Mr P's income. From the application Mr P declared his income to be £2,286 a month. It isn't generally considered sufficient to rely solely on an applicant's declared income without independent evidence such as a credit reference agency (CRA) check. 118 118 Money has shown they verified Mr P's income through a CRA check. So, I'm satisfied they did a proportionate check to determine Mr P's income.*

*118 118 Money also had to take into account or estimate Mr P's non-discretionary spending. As Mr P didn't provide any details about this on his application form, 118 118 Money checked his credit history to identify his credit commitments and used statistical data, which they can do to determine his living costs.*

*So, I'm satisfied the checks 118 118 Money did were proportionate and reasonable. Based on these checks I've considered whether 118 118 Money made a fair lending decision.*

*118 118 Money assessed Mr P as having non-discretionary spending of around £1,380 which would have meant he's around £907 in disposable income, which would appear to show Mr P would be able to sustain his repayments for his credit card account with 118 118 Money.*

*118 118 Money has provided the credit file check they did. This shows Mr P had a total debt of £4,579, with a revolving credit balance of £3,751, which meant his balance to credit limit was 83%. Mr P had 11 active accounts, one of which had been made delinquent in the previous 12 months. And he'd historic adverse information as his credit history showed he'd defaulted on two accounts in the previous 36 months, from which Mr P had an outstanding balance of £2,182.*

*Mr P had two credit card accounts with a total available credit of £2,220. I can see that for*

one of the credit cards Mr P was over his credit limit. While Mr P's credit history showed he was up to date with six of his active accounts, I can also see that Mr P had payment arrangements in place for four of his other accounts, including for his utilities.

One of Mr P's active accounts was for a short-term loan of £414 he'd taken out in December 2020. From Mr P's credit history, I can see that he'd a reliance on short term lending and had been regularly relying on this type of finance for several years. I can see evidence of regular short-term lending from 2015 onwards. In the 12 months leading to his credit agreement with 118 118 Money he'd short term lending agreements in place from February 2020 through to November 2020 before taking out the short-term loan in December 2020. I think this showed Mr P had a reliance on this type of credit and as he'd payment plans in place for four of his active accounts I think on balance he was struggling to manage his finances. And by 118 118 Money providing him with additional credit I think this was likely to cause him further problems.

December 2021, credit limit increase to £1,700

118 118 Money again checked Mr P's income, credit file and used statistical data to determine Mr P's non-discretionary spending. This showed Mr P's total debt had increased to £7,958, with a revolving credit balance of £4,365 against a credit limit of £4,650 meaning Mr P was now utilising 93% of his credit limit. Mr P had 11 active accounts, he'd historic adverse information as his credit history showed he'd defaulted on two accounts in the previous 36 months, from which Mr P still had an outstanding balance of £2,182. I can see that he'd withdrawn £240 in cash from his credit card(s) over the previous 12 months.

Mr P's credit file showed an increase in his indebtedness and that Mr P was still reliant on short term lending with the most recent being for £586 entered into in June 2021. And he'd taken out two additional unsecured loans one for £2,500 in June 2021 and another for £1,618 with 118 118 Money themselves in July 2021. As well as another credit card in October 2021 with a credit limit of £300.

118 118 Money also had the internal evidence of how Mr P was running his credit card account. This showed Mr P utilised 98% of his credit limit in the first month of usage. And by the second month he was over his credit limit. While 118 118 Money do not add fees for when an account is over its limit, the interest accrued would increase. And as Mr P was only repaying the minimum amount required this meant the capital amount owed never reduced in any meaningful way.

Based on Mr P's increased indebtedness, his use of cash advances, reliance on short term lending, and his credit card utilisation being over 90%, I consider it was irresponsible for 118 118 Money to have increased his credit limit in December 2021 especially as Mr P had exceeded his credit limit with them three times in the preceding six months, the last being October 2021.

Where credit has been provided when it shouldn't have been, I think it's fair and reasonable for Mr P to pay back the funds he's lent – when he used his credit card. But not the interest or any other charges that 118 118 Money has applied. I'd also expect 118 118 Money to remove any adverse information they've reported to the credit reference agencies about this account.

I've also considered whether 118 118 Money acted unfairly or unreasonably in some other way given what Mr P has complained about, including whether their relationship with him might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974. But because I'm currently minded to uphold Mr P's complaint already for the reasons I've explained I don't think I need to make a finding on this. I believe the redress I've suggested

*results in fair compensation for Mr P in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case*

### **Responses to the provisional decision.**

Mr P accepted the findings of the provisional decision. And neither party has made any further representations for me to consider.

### **My final decision**

I uphold Mr P's complaint. And ask Madison CF UK Limited trading as 118 118 Money to:

- Rework the account removing all interest and charges. If the rework results in a credit balance, this should be refunded to Mr P together with \*8% simple interest per year calculated from the date of each overpayment to the date of settlement.
- Remove any adverse information in relation to the account from Mr P's credit file.
- If, after the rework, there is still an outstanding balance, Madison CF UK Limited trading as 118 118 Money must arrange an affordable payment plan with Mr P. Once Mr P has cleared the balance, they should remove any adverse information in relation to the account from Mr P's credit file.

\*HMRC require Madison CF UK Limited trading as 118 118 Money to deduct tax from any award of interest. It must give Mr P a certificate showing how much tax has been deducted if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 3 October 2024.

Anne Scarr  
**Ombudsman**