

The complaint

Mr K complains that Madison CF UK Limited trading as 118 118 Money lent irresponsibly when it approved two loan applications he made.

What happened

In September 2020 Mr K applied for a loan of £5,000 over 24 months with 118 118 Money. In his application, Mr K said he was employed full time with an income of £3,461 a month. Mr K also said he was renting his home. 118 118 Money carried out a credit search and found Mr K owed a total of £4,200 to other unsecured creditors. The credit file showed Mr K had a default within the last three years but none in the previous 12 months. It also showed Mr K had missed a payment to one of his creditors in the previous 12 months. No other adverse credit information was found.

118 118 Money applied various outgoings to the application. 118 118 Money made deductions to Mr K's income of £3,461 a month for items like rent, essential living expenses and servicing his existing debts. 118 118 Money says that Mr K had a disposable income of around £2,050 after covering his outgoings which was more than sufficient to cover a new loan payment of £301.70. 118 118 Money approved Mr K's loan application and the funds were forwarded to Mr K.

In May 2022, towards the end of the existing loan term, Mr K applied to refinance and borrow and additional £3,600 over a 60 month term. In his application, Mr K confirmed he was still residing at the same address, renting and employed with a monthly income of £3,461. 118 118 Money carried out another credit search and found Mr K's unsecured debt had increased since his previous application. Outgoings for rent, Mr K's unsecured debts and general living costs were deducted from his income. 118 118 Money says it calculated Mr K had around £1,150 of disposable income so was able to afford new loan payments of £163.73. The loan was approved and funds sent to Mr K.

Earlier this year, Mr K complained that 118 118 Money lent irresponsibly when looking at his loan applications. 118 118 Money issued a final response on 12 February 2024 but didn't uphold Mr K's complaint. 118 118 Money said it had carried out the necessary lending checks before approving both loans.

An investigator at this service looked at Mr K's complaint. They thought 118 118 Money had carried out reasonable and proportionate checks before approving both loans and didn't uphold Mr K's complaint. Mr K asked to appeal and said he was living in another country in 2022 when he applied for the second loan with 118 118 Money. As Mr K asked to appeal, his complaint has been passed to me to make a decision.

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.

Before agreeing to lend, the rules say 118 118 Money had to complete reasonable and proportionate checks to ensure Mr K could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've looked at both Mr K's loan applications and the information 118 118 Money had available to decide whether I think it lent responsibly or not. I'm sorry to disappoint Mr K but having reviewed all the available information I haven't found evidence that supports the complaint that 118 118 Money lent irresponsibly. I'll explain why.

I can see that when Mr K first made an application in September 2020 he provided details like his address, date of birth, employment status and income. Mr K said he was renting and had been living at the same address for several years. 118 118 Money used that information and also carried out a credit file to look at Mr K's existing commitments. I can see that 118 118 Money found Mr K had some existing debts, totalling around £4,200. There was some evidence of missed payments in the previous year, but they were limited in nature. I can also see 118 118 Money found a default from 2018. I think it's fair to say, the default was around three years old at the point of application and that whilst there were isolated missed payments, Mr K's accounts appear to have been administered well overall. I'm satisfied that 118 118 Money carried out a credit search and took all the information it found into account when deciding whether to proceed.

118 118 Money has also provided evidence that it applied estimated living expenses and rent to Mr K's application based on national statistics. That meant 118 118 Money considered Mr K's regular outgoings in addition to the monthly payments he was making to his existing creditors. After deducting Mr K's outgoings from his income, 118 118 Money found he had a healthy disposable income of around £2,050 which was more than sufficient to cover a new loan payment of £301.70. In my view, 118 118 Money reasonably relied on the information it found on Mr K's credit file and in his application. I haven't seen anything that would've indicated to 118 118 Money that it needed to carry out a more comprehensive set of checks. I'm sorry to disappoint Mr K but I haven't been persuaded 118 118 Money lent irresponsibly.

When Mr K applied for the second loan in May 2022, his existing loan was up to date with no arrears having been reported on his credit file. I note another application was completed and Mr K confirmed he was still living at the same address. In response to the investigator, Mr K's told us he was actually living in another country at the time of his application. But that's not what he said in his application. And I think it's fair to note that the credit search 118 118 Money completed showed Mr K still had active credit at his declared address. I haven't seen anything that would've indicated to 118 118 Money that Mr K wasn't living at the address he gave in his application. So I'm unable to agree 118 118 Money made a mistake on that basis.

In much the same way as the first application, Mr K also provided information about his income. 118 118 Money applied similar living costs to the application. 118 118 Money also looked at an updated copy of Mr K's credit file. That showed Mr K's other outstanding credit had increased. But the cost of servicing that debt was factored into 118 118 Money's assessment and I haven't seen any evidence that would've indicated to 118 118 Money that Mr K was already overcommitted. I'm satisfied that 118 118 Money used a reasonable figure for Mr K's regular outgoings and existing credit commitments. And when 118 118 Money completed its assessment it found Mr K had around £1,150 available as disposable income against a new loan payment of £163.73. In my view, the figures 118 118 Money used were reasonable and showed Mr K had capacity to manage the new loan with monthly repayments of £163.73.

I'm sorry to disappoint Mr K but I haven't been persuaded that there were grounds for 118 118 Money to have taken a different approach with his application. And I'm satisfied that 118 118 Money reasonably agreed to lend based on the information it had available at the time.

I'm satisfied 118 118 Money carried out reasonable and proportionate checks when considering both Mr K's applications. I haven't been persuaded it acted unfairly or lent irresponsibly when approving both loans. As a result, I'm unable to uphold Mr K's complaint.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 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 K or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My decision is that I don't uphold Mr K's complaint.

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

Marco Manente
Ombudsman