

The complaint

Mr M says Madison CF UK Limited, trading as 118 118 Money, irresponsibly lent to him

What happened

Mr M took out a loan for £3,000 over 12 months from 118 118 Money. The monthly repayments were £335.18 and the total repayable was £4,022.16. Mr M says he spent all of the money on gambling, his mental health was not good at the time and he should not have been given the loan.

118 118 Money said it completed appropriate checks that showed the loan was affordable. But as it could see Mr M had suffered it offered to apply a credit of £460 to his active loan balance as a gesture of goodwill. Unhappy with this settlement offer Mr M brought his complaint to this service.

At this stage 118 118 Money offered to uphold the complaint and remove all the interest and charges from the account. This would mean that the remaining balance would then be made up of the outstanding loan advance only. It said it would also reach out to the credit reference agencies to remove any negative markers from the credit file.

Mr M declined this offer saying he wanted the debt to be written off.

Our investigator said 118 118 Money's checks were not proportionate and better checks would have shown Mr M could not afford this loan. But she said the lender's offer to remove all interest and correct Mr M's credit file once the capital was repaid was fair and in line with our approach.

118 118 Money accepted this assessment, noting that the redress would be after taking into account the £460 already refunded to Mr M's account. So it would refund a further £562.16.

Mr M asked for an ombudsman's review saying this resolution did not feel fair to him. He later accepted it but then was unhappy with how 118 118 Money actioned the redress. He said the £460 already refunded to his account should not be deducted from the interest rebate the investigator instructed. 118 118 Money disagreed, but apologised if its final response letter had caused any confusion. For this it offered an additional £50 compensation. As the parties could not agree on the treatment of the £460 already refunded the complaint was passed to me.

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.

Our approach to complaints about unaffordable/irresponsible lending is on our website and I have taken it into account here.

It is no longer in dispute that 118 118 Money should not have lent to Mr M. What remains to be decided is whether the £460 it credited to Mr M's account should be deducted from the

interest refund, or whether it ought to be an additional refund.

In its final response letter 118 118 Money said it had been '*applied as a credit to the active loan balance*'. So there is not absolute clarity as to whether this was to be against capital or interest owed – or both. However, I think to consider it as part of the overall interest refund is fair and reasonable. We would typically expect any refunds already processed to be considered in any redress calculation, just as we would typically expect a borrower to repay the capital in full as they had the use of that money. I have not seen anything here that would lead me to reach a different conclusion in this case.

So I find 118 118 Money has correctly applied the redress award the investigator instructed, save to now pay the additional £50 for any confusion it caused – which I find to be a fair amount. It has said Mr M can opt to take this as a payment to his bank account or use it to reduce the capital balance. He should contact 118 118 Money to let it know his decision.

Putting things right

For clarity I will restate the award, acknowledging that 118 118 Money has already actioned part 1.

Part 1

To resolve this complaint, 118 118 Money should add up the total amount of money Mr M received as a result of having been given the loan. The repayments he has made to date should then be deducted from this amount.

- a) If this results in Mr M having paid more than he received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). †
- b) If any capital balance remains outstanding, then 118 118 Money should arrange an affordable and suitable repayment plan with Mr M.
- c) Once Mr M has cleared the outstanding balance, 118 118 Money should remove any adverse information in relation to the loan from his credit file.

The £460 118 118 Money credited to Mr M's account must be considered as part of the total interest refund, not as an additional refund to be offset against the capital owes.

† HM Revenue & Customs requires 118 118 Money to take off tax from this interest. 118 118 Money must give Mr M a certificate showing how much tax it's taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance it must do so after deducting the tax.

Part 2

Pay Mr M £50 compensation.

My final decision

My decision is that 118 118 Money's offer to refund all interest from the loan agreement and correct Mr M's credit file once the capital balance is repaid is fair. It should now agree a repayment plan for the capital and pay Mr M the £50 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 12 November 2024.

Rebecca Connelley
Ombudsman