

The complaint

Mr Y complains Madison CF UK Limited trading as 118 118 Money ("118") lent to him irresponsibly. He feels the card and subsequent increases shouldn't have been provided as they were unaffordable.

What happened

In August 2020 Mr Y applied for a credit card with 118. Mr Y says he was aware he was applying for a card, but was in an abusive relationship at the time, so the credit wasn't something he wanted or could afford. He said had 118 completed proper checks, they would've seen he couldn't afford the credit.

118 provided Mr Y with a credit limit of £1,200. The credit limit was increased three times after this – the first increase taking place in February 2021 to £2,000. It then went from £2,000 to £2,500 in September 2021 and finally increased to £3,000 in March 2022.

In 2023, Mr Y complained to 118 about both the unaffordable lending, and the lending being taken out under duress. 118 responded to both complaints separately, but Mr Y has confirmed he'd like our service to consider the unaffordable lending complaint only.

In July 2023, 118 issued their final response letter to Mr Y. They said when applying, he was taken through extensive questioning to ascertain his circumstances, and they use industry standard verification checks to validate the information provided on the application. They said they're satisfied this lending was affordable for Mr Y at the time.

Mr Y remained unhappy with their response, so he asked our service to consider his complaint. An Investigator here looked at everything, and they said 118 completed proportionate checks for the account opening, as well as the first and second credit limit increase. They said during the third limit increase, Mr Y's external debt had significantly increased, so felt 118 should've done more to satisfy themselves the new credit limit was affordable. So, the checks weren't proportionate. However, the Investigator asked Mr Y for bank statements to work out what proportionate checks would've shown. Mr Y has been unable to provide these, so the Investigator didn't uphold the complaint.

I previously spoke with Mr Y regarding getting payslips and statements to help support his argument, and I issued a provisional decision that said the following:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint."

Having carefully considered everything, and after having had conversations with Mr Y, I'm currently intending not to uphold this complaint."

I know this is likely to be disappointing for Mr Y, but I'll explain my reasoning in more detail below."

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 Y's complaint. 118 needed to make sure it didn't lend irresponsibly. In practice, what this means is 118 needed to carry out proportionate checks to be able to understand whether Mr Y could afford to repay any credit it provided.

One of the things set out on our website is what we typically think about when deciding whether a lender's checks were proportionate. Generally, we don't think that it is necessarily unreasonable for a lender's checks to be less detailed – 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 think it might have 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 said they asked Mr Y extensive questions at the point of application, and the answers to these questions were verified by industry standard checks, and therefore they don't agree the lending was unaffordable for Mr Y.

Mr Y says had they done proper checks, they would know it was unaffordable, particularly the increases because he regularly maxed out the credit limit. I've considered what both parties have said.

It's important to note that 118 was providing Mr Y with a revolving credit facility. And this means 118 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.

I'd like to acknowledge the difficult time Mr Y has experienced, I'm sorry to hear of what he's been through in recent years. And I acknowledge what he's said about not really wanting the credit for himself, but I need to consider what 118 would've been aware of at the time. I'll start by considering the opening of the account in August 2020. On the application, it shows Mr Y was earning around £3,800 per month and was employed full-time. However, it does say Mr Y paid a total of £0 towards rent/mortgage, food, bills and other credit commitments.

Under normal circumstances, I'd say a firm should do more here, however 118 have provided a second report with some information about Mr Y's expenditure included. It suggests Mr Y has a disposable income of around £2,300 per month. Because the data on this report varies, and I can't be certain where the information has come from, this alone wouldn't be enough for me to say the card was affordable.

However, I've also looked at the credit report 118 got at the time of application. This showed Mr Y had external debt totalling around £5,700 and was utilising a lot of the revolving credit limits available to him (around 96%). There's some adverse information in the recent months, including missed payments and going over the agreed credit limit. However, by the time of this lending decision, everything had been brought up to date or settled. Overall, I think the checks completed were proportionate, and showed that Mr Y could likely afford the credit limit of £1,200. Therefore, based on all the information available to me, I don't think it was unreasonable for 118 to provide the opening limit of £1,200.

I'll now move on to the first credit limit increase to £2,000 that took place in February 2021. For this, as well as looking at the external data 118 gathered, I've also considered how Mr Y managed this account in between the opening and the first credit limit increase.

The external credit check showed Mr Y's debt had decreased slightly to around £4,700 and he was only using around 30% of the revolving credit limits available to him. So overall, his

position had improved slightly since the account opening. When looking at the way the account was managed, Mr Y didn't immediately use all of the credit limit available to him – it wasn't until the end of 2020 where the balance was close to the limit. He made the repayments in full and on time.

So this, combined with the external data available for Mr Y leads me currently to believe 118's checks were proportionate, and I'm minded to say they made a fair decision to increase the limit to £2,000 on the credit card.

I've considered the same factors when looking at the second credit limit increase in September 2021 to £2,500. In July 2021, two months before this increase, Mr Y reduced his balance to around £51, and in August 2021, the balance was reduced to zero. For the months prior to July 2021, the account was well managed with payments made on time.

118 also completed external credit checks. At this point in time Mr Y's external debt was consistent with the previous granting of credit – he had around £5,500 of external debt. It's important to note Mr Y did have access to around £30,000 of revolving credit, but he was only using around 10% of this. Again, the accounts were well managed.

So it follows that I'm currently minded to say the checks carried out here were also proportionate, and it wasn't unreasonable to provide this increase.

Finally, I'll move on to the third credit limit increase that happened six months later, in March 2022. This was another £500 increase, making the total credit limit £3,000.

Again, when looking at the account management, Mr Y was making consistent repayments to the card. Between September 2021 and March 2022, the balance generally was low, and it appeared, based on the internal information that Mr Y was managing the card well. I've considered the external information 118 also obtained at the time of increase. Mr Y's total external balances had increased to around £170,000. Part of this is made up by a mortgage and a hire purchase agreement with fixed monthly repayments. However, Mr Y's reliance on the revolving credit limits he had available had increased from 10% at the point of the previous check to 77%. So although the card was being managed well internally, I think 118 could've done more to understand whether another increase would be affordable for Mr Y.

I would expect this to look like a detailed income and expenditure check with Mr Y to work out what disposable income he had each month to sustainably repay the balance of any increases. I say this particularly because he had significant fixed monthly repayments added to his commitments that weren't present before. 118 have a rolling income and expenditure report as mentioned earlier, meaning using data available to them, but not data collated from Mr Y they could calculate what his income was and what his general expenditure was each month, but I think at this stage they should have conducted a more in-depth review with Mr Y.

The easiest way for our service to work out what an income and expenditure check would've likely revealed at the time is to review Mr Y's current account statements. Mr Y has been unable to provide these and while I do understand the reasons about why he can't provide them, I can't say 118 have acted unfairly without knowing more about Mr Y's financial position at the time. Mr Y was trying to get payslips from the time, but I've also not been able to see these. So for this reason, I don't currently think say 118 acted unfairly when providing the third limit increase to Mr Y.

Overall, I don't currently think 118 acted unfairly when deciding to provide Mr Y with the credit card, or by subsequently increasing his limits.

Did 118 act unfairly in any other way?

I understand Mr Y has told us he was struggling financially so I've considered whether 118 should've been on notice of this, and whether they ought to have taken action.

In July 2022, some four months after the final credit limit increase was provided, Mr Y started to significantly exceed his credit limit. At this point, he was meeting the minimum repayments until January 2023 when he ultimately stopped making any payments to the account. In April 2023, 118 stopped applying interest to the account.

Although Mr Y did go over his credit limit for an extended period of time, he was still meeting the minimum repayments which well exceeded the interest being applied. In the guidance set out by the Financial Conduct Authority (FCA), CONC 1.3 provides firms like 118 with guidance on financial difficulties.

One of the indicators on the list (although not exhaustive) suggests 118 ought reasonably to have been aware of Mr Y's difficulties because of 'consecutively failing to meet minimum repayments in relation to a credit card or store card'. The Information Commissioner's Office (ICO) says firms should step in 'when you've not met the terms of the agreement and your account is three to six months in arrears'. 118 stopped applying interest to the account four months after Mr Y stopped making payments to the account, and so I'm minded to say they stepped in at a time that was appropriate, taking into consideration the relevant rules and guidelines. It follows I don't think it treated Mr Y unfairly here.

I've also considered 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 lent irresponsibly to Mr Y or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

Overall, based on all the circumstances, I'm currently minded not to uphold this complaint. I know this is likely to be disappointing for Mr Y, but I hope he'll understand my reasons for the decision I intend to reach."

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.

Neither Mr Y or 118 have responded to my provisional decision, and Mr Y didn't respond to my earlier requests for further information. Given that both parties haven't provided any new information to this service, I see no reason to depart from the findings I reached in my provisional decision.

Therefore it follows that I'm not upholding Mr Y's complaint against 118, and can't say they treated him unfairly when offering him the credit facility or subsequent increases.

My final decision

It's my decision that Madison CF UK Limited ("118") didn't treat Mr Y unfairly when lending to him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or

reject my decision before 11 April 2025.

Meg Raymond
Ombudsman