

The complaint

Mrs C says Madison CF UK Limited, trading as 118 118 Money, irresponsibly lent to her.

Mrs C brought her complaint through a representative, for ease of reading I will refer solely to Mrs C in this decision.

What happened

Mrs C took out two instalment loans from 118 118 Money.

Loan 1 was taken out in March 2021 for £2,000 over 12 months. The monthly repayments were £200 and the total repayable was £2,400.84.

Loan 2 was taken out in November 2021 for £5,000 over 60 months. The monthly repayments were £166.15 and the total repayable was £9,969. It was used in part to repay loan 1. It was settled in full early.

Mrs C says 118 118 Money did not complete adequate checks before lending to her.

Our investigator did not uphold Mrs C's complaint. He found 118 118 Money's checks were proportionate and that it made fair lending decisions based on the information it gathered.

Mrs C disagreed and said given her financial profile the checks were not proportionate.

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.

I want to reassure Mrs C I have carefully considered all the comments she submitted. However, in keeping with our role as an informal dispute resolution service – and as our rules allow – I will focus here on the points I find to be material to the outcome of her complaint.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website. Having carefully thought about everything, I think that there are two overarching questions that I need to answer in order to fairly and reasonably decide Mrs C's complaint. These two questions are:

1. Did 118 118 Money complete reasonable and proportionate checks to satisfy itself that Mrs C would be able to repay the loans without experiencing significant adverse consequences?

- If so, did it make fair lending decisions?

- If not, would those checks have shown that Mrs C would've been able to do so?

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

The rules and regulations in place required 118 118 Money to carry out a reasonable and proportionate assessment of Mrs C's ability to make the repayments under this agreement. This assessment is sometimes referred to as an affordability assessment or affordability check.

The checks had to be borrower focused – so 118 118 Money had to think about whether repaying the loan would cause significant adverse consequences for Mrs C. In practice this meant that the business had to ensure that making the payments to the loans wouldn't cause Mrs C undue difficulty or significant adverse consequences.

In other words, it wasn't enough for 118 118 Money to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Mrs C. Checks also had to be proportionate to the specific circumstances of the loan applications. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:

- the lower a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the greater the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mrs C's complaint.

118 118 Money has provided evidence to show that before lending it asked for some information from Mrs C and other sources. It asked for her monthly income and verified this externally. It used national statistics to estimate her living costs. It carried out a credit check to understand her credit history and her existing credit commitments, including her housing costs as she had a mortgage. Based on these checks 118 118 Money learnt Mrs C would have a monthly disposable income of £950 after taking on loan 1 and £1,040 after taking on loan 2. So it thought it was fair to lend.

I think these checks were proportionate given the value and term of the loans, and the amount of the monthly repayments relative to Mrs C's declared income. And I think 118 118 Money made fair lending decisions based on the information it gathered. I'll explain why.

Loan 1

Mrs C declared a monthly net income of £3,337 that 118 118 Money successfully verified. The credit check showed monthly commitments of £1,474.23 including her mortgage. 118 118 estimated her monthly living expenses to be £749.69. So the loan was affordable on a pounds and pence basis. But 118 118 Money also had to be sure that it would not cause any adverse financial consequences for Mrs C. I have thought about this carefully as there was some historic adverse data on her credit file and she had £49,255 of debt (excluding her

mortgage).

However I don't think that needed to change 118 118 Money's lending decision. There were defaults, but they were all over 30 months old. Of the active debt £43,860 was on a hire purchase agreement so it wasn't that Mrs C had a dependence on credit cards or short-term loans. Mrs C's existing debt was largely well-managed in the last 12 months, with one overlimit event and one missed payment that was then brought up to date the following month. There were no cash advances on credit in the previous six months. So in the round I think it was fair for 118 118 Money to conclude that Mrs C could sustainably afford loan 1.

Loan 2

Mrs C declared a monthly net income of £3,337 that 118 118 Money successfully verified. The credit check showed monthly commitments of £1,399.46 including her mortgage. Again 118 118 estimated her monthly living expenses to be £749.69. So the loan was affordable on a pounds and pence basis. But as with loan 1, 118 118 Money had to be sure that the loan would not cause any adverse financial consequences for Mrs C. I have again thought about this carefully.

Mrs C's overall debt level (excluding mortgage) had fallen to £42,441 - £38,480 of which was a hire purchase agreement. Her use of revolving credit had decreased and there was no new significant adverse data on her file. All the historic defaulted accounts were now settled. There were two instances of missed payments in the previous 12 months that were both brought up to date the following month. There was some use of credit for cash withdrawals but in the context of the other data I don't think this should have changed 118 118 Money's decision, or triggered further checks.

Overall, I think it was fair for 118 118 Money to give loan 2 to Mrs C.

I've also considered 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 Mrs C or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

I am not upholding Mrs C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 3 January 2025.

Rebecca Connelley
Ombudsman