

The complaint

Mr T has complained about a loan Madison CF UK Limited trading as 118 118 Money Personal Finance provided to him. He says the loan was unaffordable and therefore shouldn't have been given to him.

Mr T is represented in bringing his complaint, but for ease I've written as if we've dealt directly with him throughout.

What happened

In October 2023 Mr T applied online for a £5,000 fixed sum loan with 118 118 Money. He had to make 36 monthly repayments of £243.13, and the total repayable, including the interest, was £8,752.68.

In April 2024, Mr T complained to 118 118 Money to say the loan should never have been provided to him. 118 118 Money didn't think it had acted unfairly when lending to Mr T.

Our investigator didn't recommend the complaint be upheld. She thought 118 118 Money had carried out reasonable and proportionate affordability checks, and 118 118 Money made a fair decision to lend.

Mr T didn't agree, so the complaint has been passed to me to decide.

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.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case. What is proportionate will vary with each lending decision and considers things such as (but not limited to): the amount of credit, the size of the repayments, the cost of the credit, the purpose the credit was taken out for and the consumer's circumstances.

Mr T wasn't an existing customer of 118 118 Money. He declared on the application he was employed and earned a net monthly salary of £2,085. He said he lived with his partner and no dependents were declared. In relation to his outgoings Mr T said (all monthly) his mortgage was £357, he paid £75 to utilities, £100 to food and spent £75 on insurance.

118 118 Money verified Mr T's income using an automated income verification tool provided by one of the credit reference agencies, and carried out an affordability assessment using

Mr T's monthly mortgage, payments to creditors from his credit report and Office of National Statistics (ONS) data for his other outgoings. The calculations showed that after all the expenditure and the new loan repayment was taken into account, Mr T would have £319.56 a month disposable income.

CONC allows businesses to use statistical data to estimate a customer's non-discretionary expenditure unless they have reasonable cause to suspect that the data might not be reasonably representative in the customer's specific situation. I haven't seen any reason that 118 118 Money might have thought Mr T's non-discretionary expenditure might significantly differ from statistical data.

118 118 Money's checks showed that Mr T had opened only one new account in the six months prior to his application. I accept his credit report shows Mr T had taken some cash advances on his credit cards, but equally it shows he'd not defaulted on any accounts or missed any payments to creditors. Although he had unsecured debts totalling around £24,100, they were all being well-managed, with no indicators of any difficulties. I don't think this information ought reasonably to have prevented 118 118 Money from lending to Mr T or prompted further checks, given the size of the loan and monthly repayment amount.

In my view, 118 118 Money's calculations reasonably showed Mr T had sufficient disposable income to be able to afford a new loan with monthly repayments of £243.13. I haven't been persuaded that 118 118 Money needed to carry out a more comprehensive approach to Mr T's application or that it should've requested additional evidence before deciding to lend. I'm sorry to disappoint Mr T but I haven't been persuaded that 118 118 Money lent irresponsibly when it approved his loan application.

It's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. And, in this case, I don't think that 118 118 Money did anything wrong when bringing about Mr T's loan. The key thing here is that it carried out reasonable and proportionate checks which suggested the repayments would be affordable.

So overall I don't think that 118 118 Money treated Mr T unfairly or unreasonably when bringing about his agreement. In reaching my conclusions, I've also considered whether the lending relationship between 118 118 Money and Mr T might have been unfair to Mr T under section 140A of the Consumer Credit Act 1974. However, for the reasons I've explained, I don't think 118 118 Money irresponsibly lent to Mr T or otherwise treated him unfairly in relation to this matter. And 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. I'm therefore not upholding Mr T's complaint.

I appreciate this is likely to be very disappointing for Mr T but I hope he'll understand the reasons for my decision.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 7 April 2025.

Julia Meadows
Ombudsman