

Complaint

Mr B has complained about a credit card Madison CF UK Limited (trading as “118 118 Money”) provided to him. He says the credit card was irresponsibly provided to him as it was unaffordable.

Background

118 118 Money provided Mr B with a credit card with an initial limit of £800 in February 2022. Mr B wasn't provided with any credit limit increases.

One of our investigators reviewed what Mr B and 118 118 Money had told us. And she thought 118 118 Money hadn't done anything wrong or treated Mr B unfairly in relation to providing the credit card. So she didn't recommend that Mr B's complaint be upheld. Mr B disagreed and asked for an ombudsman to look at the complaint.

My findings

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

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 B's complaint.

Having carefully considered everything, I've not been persuaded to uphold Mr B's complaint. I'll explain why in a little more detail.

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

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – 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 might think it 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.

118 118 Money says it agreed to Mr B's application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr B would be able to make the low monthly repayments due for this credit card. On the other hand Mr B says that he was already struggling and shouldn't have been provided with this credit card.

I've considered what the parties have said.

What's important to note is that Mr B was provided with a revolving credit facility rather than a loan. And this means that 118 118 Money was required to understand whether a credit limit of £800 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £800 required relatively small monthly payments (in comparison to Mr B's income) in order to clear the full amount owed within a reasonable period of time.

Furthermore, I've seen records of the information 118 118 Money obtained from Mr B about his income and that was on the credit search carried out. And this information doesn't indicate to me that 118 118 Money ought to have realised that Mr B didn't have the funds to make the low monthly payment that would be required for this credit card.

I appreciate that Mr B says that his circumstances were worse than this, he was struggling and had applied for other credit in the lead up to this application. But even if Mr B had taken out payday loans more recently than 118 118 Money believed, I don't think that this in itself meant that Mr B shouldn't have been lent to. In my view, it meant that 118 118 Money needed to take more caution which it did do by offering a low initial limit.

Furthermore, I've seen records of the information 118 118 Money obtained from Mr B about his income and what was on the credit search carried out. This information doesn't indicate to me that 118 118 Money ought to have realised that Mr B didn't have the funds to make the low monthly payment that would be required for this credit card.

I accept that Mr B says that his actual circumstances at the time were worse than what the information 118 118 Money obtained showed. I've considered what Mr B has said and I'm sorry to hear that he's had difficulty making his payments. But the fact remains that, despite having had ample opportunity to do so, Mr B has not provided me with any clear evidence that doing more would have shown the required payments to be unaffordable in this instance.

So while Mr B believes that 118 118 Money did not ensure had sufficient disposable income left over, without clear evidence that doing more would have prevented 118 118 Money from lending, I simply don't have sufficient evidence to reasonably conclude that this is the case. This is especially as Mr B's credit limit was never increased above the £800 initially granted. And, in these circumstances, I don't agree that 118 118 Money lent to Mr B's in circumstances where it ought reasonably to have realised that doing so was unsustainable or otherwise harmful.

In reaching my conclusions, I've also considered whether the lending relationship between 118 118 Money and Mr B might have been unfair to Mr B under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think 118 118 Money irresponsibly lent to Mr B or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Consequently I'm not upholding Mr B's complaint. I appreciate this will be very disappointing for Mr B. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 January 2025.

Jeshen Narayanan
Ombudsman