

The complaint

Mrs J complains that Madison CF UK Limited trading as 118 118 Money irresponsibly lent to her.

Mrs J is represented by a claims management company in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Mrs J herself.

What happened

Mrs J applied for a 118 118 Money credit card in November 2020, and she was approved for a £500 credit limit. This was increased to a £1,500 credit limit in June 2021. Mrs J says that 118 118 Money irresponsibly lent to her. Mrs J made a complaint to 118 118 Money.

118 118 Money did not uphold Mrs J's complaint. They said they looked at what Mrs J had declared on her application, and information on her credit file, and their investigations found no issues with Mrs J's disposable income. Mrs J brought her complaint to our service.

Our investigator did not uphold Mrs J's complaint. He said taking into consideration the information 118 118 Money had available to them, their checks were proportionate and they made fair lending decisions in approving the application and the credit limit increase. Mrs J asked for an ombudsman to review her complaint.

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.

Before agreeing to approve or increase the credit for Mrs J, 118 118 Money needed to make proportionate checks to determine whether the lending was affordable and sustainable for her. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances.

Acceptance for the credit card - £500 initial credit limit

I've looked at what checks 118 118 Money said they did when initially approving Mrs J's application. I'll address the credit limit increase in the next section. 118 118 Money said they looked at her credit file and disposable income before and after loan repayments.

I've looked at what 118 118 Money's checks showed. Mrs J told them she was employed, earning £1,149 net per month. The information from the Credit Reference Agencies (CRA's) showed that Mrs J had defaulted on four accounts within the last 36 months, but they were not within 12 months prior to her application.

It may help to explain here that, while information like defaults on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what else 118 118 Money's checks showed to see if they made a fair lending decision here.

The checks showed that Mrs J had total unsecured debt of £4,204. But that's not all the information from the CRA's showed. The checks showed that Mrs J had exceeded her credit limits at the point the checks were completed, and she had made transactions which attracted cash transaction fees, which could be signs of financial difficulty.

So I do think that 118 118 Money should have made further checks to ensure the credit card repayments were affordable and sustainable for Mrs J. I say this because if she wasn't able to keep within her credit limits, then it could indicate the disposable income which 118 118 Money calculated for her may not be accurate.

One of the things 118 118 Money could have done was to contact Mrs J to get an understanding of why she had exceeded her credit limits, and why she had made transactions which attracted cash transaction fees, to ensure she wasn't having any financial difficulty, and she could sustainably afford repayments for the 118 118 Money credit card. Or they could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

Mrs J has provided her bank statements leading up to this lending decision. Although she's provided more statements than I requested, it would only be proportionate for me to look at the three months leading up to the acceptance of her account.

Mrs J's statements show that during this timeframe, her account is well run, and she has disposable income to be able to pay for several non-essential transactions. She is not overdrawn at any point of these three months, she does not have any returned direct debits, and with her benefits and wages she had more monthly income in each of the three month period I've looked at than what she told 118 118 Money her income was.

So if 118 118 Money would have requested Mrs J's bank statements as part of a proportionate check, then I'm persuaded they would have still approved Mrs J's application, as it would appear that repayments for a £500 credit limit would be sustainably affordable for Mrs J. And I'm persuaded that 118 118 Money made a fair lending decision here.

June 2021 credit limit increase - £500 to £1,500

I've looked at what checks 118 118 Money completed prior to increasing Mrs J's credit limit to £1,500. 118 118 Money will have been able to see how Mrs J managed her account prior to the credit limit increase.

Mrs J's statements do show that from account opening she had exceeded her credit limit on a couple of occasions. So this could be a sign of financial difficulty, or her exceeding her credit limit could have just been a genuine oversight. But Mrs J's statement balance in the month prior to the credit limit being increased was £510.18 despite her having a £500 credit limit.

In addition to this, 118 118 Money's checks from the CRA shows that Mrs J's total balances had risen to £5,129, which was slightly higher than the last lending decision. But more concerning is that her revolving credit limits (such as any credit cards/store cards or overdrafts) were at £1,700, but her total balances for these accounts were showing as £1,958, which was 115% of her credit limits.

So while Mrs J didn't have any late payments showing from the CRA's, and she had no new adverse information such as any more defaults showing on her credit file, I'm persuaded that 118 118 Money should have completed further checks based on her exceeding her limits when their checks were completed as while this could just be poor account management, it could also be a sign of financial difficulty.

So again, one of the things 118 118 Money could have done was to contact Mrs J to get an understanding of why she had exceeded her credit limits, to ensure she wasn't having any financial difficulty, and to find out if she could sustainably afford repayments for the credit limit increase. Or they could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

Mrs J has provided her bank statements leading up to this lending decision. Although she's provided more statements than I requested, it would only be proportionate for me to look at the three months leading up to the credit limit increase.

Mrs J's statements show that during this timeframe, her account is well run. She has disposable income to be able to pay for several non-essential items. She is not overdrawn at any point of these three months, and she does not have any returned direct debits. I do note that there are no wages showing on her bank statements during the three month period, but her benefits are higher each month than what she originally declared her income was to 118 118 Money.

So if 118 118 Money would have requested Mrs J's bank statements as part of a proportionate check, then I'm persuaded they would have still approved the credit limit increase to £1,500, as it would appear that repayments for a £1,500 credit limit would be sustainably affordable for Mrs J. And I'm persuaded 118 118 Money made a fair lending decision 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 can't conclude that 118 118 Money lent irresponsibly to Mrs J 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. So it follows I don't require 118 118 Money to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 20 February 2025.

Gregory Sloanes
Ombudsman