

The complaint

Mr C complains that Madison CF UK Limited trading as 118 118 Money lent irresponsibly when it approved four loan applications he made between 2019 and 2023.

What happened

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

Mr C applied for a loan of £1,000 over 12 months with 118 118 Money in November 2019 (Loan 1). In his application, Mr C said he was a homeowner with no mortgage and employed with a monthly income of £1,500. 118 118 Money applied outgoings for Mr C's household expenses, utilities and food each month. 118 118 Money carried out a credit search and found Mr C had a credit card with a balance of around £375 that he'd used to make cash withdrawals. No recent missed payments or other adverse credit was found. Mr C's credit file also shows that during 2019 Mr C had taken at least nine payday loans or other short term loans, the most recent of which was taken out on 22 October 2019. 118 118 Money found Mr C had sufficient disposable income to afford a new loan. 118 118 Money approved Mr C's loan application and the funds were issued.

In July 2020 Mr C went back to 118 118 Money and applied to take a new loan of £1,550 over a 12 month term (Loan 2). In this application, Mr C reconfirmed his income and residential status. 118 118 Money also applied some outgoings to Mr C's application and carried out a credit search. The credit search showed Mr C had opened two new credit cards since his previous application and taken further payday and short term loans. No recent missed payments or adverse credit was found on Mr C's credit file. 118 118 Money found Mr C had sufficient disposable income to afford the new loan repayments. 118 118 Money approved Mr C's loan application and the funds were issued.

Mr C repaid Loan 2 and went back to 118 118 Money in November 2021 to applied for a new loan of £2,500 over 12 months (Loan 3). In this application, Mr C said he was employed with an income of £1,530 a month. 118 118 Money again applied outgoings costs for items like utilities and general household expenses. Another credit search was completed that showed Mr C had opened another new credit card with a balance of £600 and taken several payday loans of up to £1,000 in the preceding year. 118 118 Money found Mr C had sufficient disposable income to afford new loan repayments. 118 118 Money approved Mr C's loan application and the funds were issued.

Mr C repaid Loan 3 without missing any payments. In January 2023, Mr C went back to 118 118 Money and applied to borrow £1,000 over 12 months (Loan 4). In this application, Mr C said he was a homeowner with a mortgage and employed with an income of £1,905 a month. 118 118 Money applied outgoings for Mr C's living costs to the application. 118 118 Money carried out another credit search and found Mr C had taken a new loan of £5,265 with monthly repayments of £266 in June 2022. Mr C's credit file also showed he had taken a new payday loan for £200 in November 2022. 118 118 Money found Mr C had sufficient disposable income to afford new loan payments. 118 118 Money approved Mr C's loan application and the funds were issued.

Last year, Mr C complained that 118 118 Money lent irresponsibly when it approved his loan applications. Mr C's explained he subsequently had to enter into a Debt Management Plan (DMP) when he was unable to find any lender that would continue to approve loans. 118 118 Money issued a final response that focused on Loan 4. 118 118 Money said it had carried out the relevant lending checks before approving Loan 4. 118 118 Money issued an interest refund of £161.50 as a gesture of goodwill.

An investigator at this service looked at Mr C's complaint and rejected it. They thought 118 118 Money had carried out reasonable and proportionate checks before approving all four loans and didn't agree it lent irresponsibly. Mr C asked to appeal and explained he was suffering with a severe gambling addiction throughout the entirety of his lending relationship with 118 118 Money. Mr C said he was only able to make repayments and settle one of the loans early due to winnings from gambling. As Mr C asked to appeal, his complaint has been passed to me to make a decision.

What I've provisionally 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 lend, the rules say 118 118 Money had to complete reasonable and proportionate checks to ensure Mr C could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;*
- The total sum repayable and the size of regular repayments;*
- The duration of the agreement;*
- The costs of the credit; and*
- The consumer's individual circumstances.*

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

Mr C took a total of four loans from 118 118 Money between 2019 and 2023. Whilst all four loans were considered separately, the applications were very similar in nature. And I agree with 118 118 Money's view that all four loans appeared affordable to Mr C based on the way it looked at his income and outgoings. On all four occasions, Mr C's existing longer term credit commitments were considered and I'm satisfied 118 118 Money used reasonable figures when looking at his outgoings when compared against his income. On the face of it, all four loans appeared affordable. But I think there was clear information on file for each application that should've caused 118 118 Money to go further in terms of its lending checks before approving Mr C's loans.

As noted above, each credit search completed between 2019 and 2023 showed Mr C was using payday loans and short term lending options (that likely came at a very high interest rate) to a reasonably high degree. Whilst I wouldn't expect 118 118 Money to automatically decline an application on the basis a borrower had obtained payday loans, the level and frequency of Mr C's borrowing was very high in my view. Borrowing of that nature isn't generally indicative of someone who's managing their finances well, especially when they

span a period of several years. In my view, on all four applications, there were signs that 118 118 Money should've picked up on that Mr C wasn't borrowing in a sustainable way. In my view, for all four loans, that should've led 118 118 Money to consider carrying out a more comprehensive set of checks before approving Mr C's applications.

One option 118 118 Money had available was to review Mr C's bank statements for the preceding months before each application which is what I've done. I can see Mr C provided accurate details of his income. And Mr C's outgoings for his day to day expenses were reasonably low. But, without exception, Mr C's bank statements show he was gambling at very high levels and taking loans to fund his addiction in addition to using his income. As an example, in October 2019, the month before Mr C applied for Loan 1, he made payments to gambling businesses totalling £1,867. Mr C also took loans totalling £1,000 in the same month that he used for gambling purposes along with a substantial amount of his paid income of £1,435.

In June 2020, the month before he applied for Loan 2, Mr C made payments to gambling businesses totalling £1,244 and took out new loans totalling £1,000. The majority of Mr C's earned income of £1,490 was used for either gambling or repayments to creditors. In October 2021, the month before Mr C applied for Loan 3, he made payments totalling £5,317 to gambling businesses and took out payday loans totalling £550. Again, the majority of Mr C's earned income of £1,537 was used to either gamble with or make repayments to his creditors. And in December 2022, the month before Mr C applied for Loan 4, he made payments totalling £3,425 to gambling businesses in addition to making substantial payments towards unsecured debts.

I'm satisfied that a more thorough approach to Mr C's applications would've led 118 118 Money to quickly see he was gambling at very high levels and using payday loans, short term lending, credit cards, unsecured loans and other forms of credit to fund his addiction. In those circumstances, I'm satisfied 118 118 Money would most likely have declined Mr C's loan applications. Based on the information I've seen so far, I intend to uphold Mr C's complaint and direct 118 118 Money to refund all the interest, fees and charges applied to all four loans he's taken since 2019.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for 118 118 Money in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision. Mr C responded to say he accepted the settlement set out in the provisional decision. 118 118 Money responded to say it had nothing further to add.

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.

As no new information has been provided I see no reason to change the conclusions I reached in my provisional decision. I still think Mr C's complaint should be upheld, for the same reasons.

My final decision

My decision is that I uphold Mr C's complaint and direct Madison CF UK Limited trading as 118 118 Money to settle as follows:

Add up the total amount of money Mr C received as a result of having been given each loan. The repayments Mr C made should be deducted from this amount.

- a) If this results in Mr C having paid more than they received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). †
- b) If any capital balance remains outstanding, then 118 118 Money should attempt to arrange an affordable and suitable payment plan with Mr C.

† HM Revenue & Customs requires 118 118 Money to take off tax from this interest. 118 118 Money must give Mr C a certificate showing how much tax it's taken off if they ask for one.

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

Marco Manente
Ombudsman