

## **Complaint**

Mr N has complained about a credit card and subsequent limit increase Madison CF UK Limited (trading as “118 118 Money”) provided to him. He says the credit card and limit increase were irresponsibly provided to him as they were unaffordable.

## **Background**

118 118 Money provided Mr N with a credit card with an initial limit of £250<sup>1</sup> in May 2020. In February 2021, Mr N’s credit limit was increased to £1,200.00.

One of our investigators reviewed what Mr N and 118 118 Money had told us. And he thought 118 118 Money hadn’t done anything wrong or treated Mr N unfairly either in relation to providing the credit card or increasing his credit limit. So he didn’t recommend that Mr N’s complaint be upheld.

Mr N disagreed with the investigator’s assessment and asked for an ombudsman to look at his 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 N’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr N’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 N 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.

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<sup>1</sup> The investigator’s assessment referred to a credit limit of £600. However, having considered the application, Mr N’s credit card statements and the full credit report he’s provided, I’m satisfied that the initial credit limit was £250.

118 118 Money says it agreed to Mr N's application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr N would be able to make the initial low monthly repayment due on this credit card. I understand that 118 118 Money considered Mr N's account management, in the period after he was granted the card, good enough to justify the limit increase.

On the other hand, Mr N says that he was already struggling and shouldn't have been provided with this credit card or the credit limit increase.

I've considered what the parties have said.

What's important to note is that Mr N was provided with a revolving credit facility rather than a loan. And this means that to start with 118 118 Money was required to understand whether a credit limit of £250 could be repaid within a reasonable period of time, rather than all in one go. It's fair to say that a credit limit of £250 required low monthly payments in order to clear the full amount that could be owed within a reasonable period of time.

Furthermore, I've seen records of the information 118 118 Money obtained from Mr N about his income and that was on the credit search carried out. Mr N did have a couple of defaulted accounts. However, these defaults took place in 2016 so they were from more than three years prior to this application.

The historic nature of these defaulted accounts means that I don't think that they ought to have been too concerning to 118 118 Money. This is especially as Mr N appears to have been managing his active commitments well at this stage. Equally, I'm satisfied that 118 118 Money mitigated the risk of Mr N's previous defaults by providing him with such a low credit limit to begin with.

As this is the case and the information obtained suggested that Mr N could repay a balance of £250 within a reasonable period of time, I'm satisfied that the checks carried out before Mr N was initially provided with his credit card were reasonable and proportionate. And as the information showed that the credit card was affordable, I'm satisfied that it was reasonable for 118 118 Money to lend to Mr N in these circumstances.

For the credit limit increase, it appears as though 118 18 Money relied on Mr N's account having been managed well in the period since it had been opened. Indeed, I note that Mr N had made payments consistent with repaying a higher credit limit in November 2020, December 2020 and January 2021. There is an argument that this in itself was sufficient for 118 118 Money to determine that Mr N could afford the limit increase, as it was entitled to take into account Mr N's management of the facility as part of its lending decision.

I'm also mindful that there wasn't anything in the way of any additional significant adverse information on the credit search 118 18 Money carried out either. The full credit report Mr N has provided did go on to show that his indebtedness would go on to increase significantly. But this would happen from the mid to latter part of 2021, which 118 118 Money could not have known seeing as this was after it granted this limit increase.

For the sake of completeness, I'd also add that even if I were to conclude that the checks 118 118 Money carried out before increasing the credit limit weren't sufficient, I don't think that 118 18 Money would have made a different decision even if it had asked Mr N for more information. I say this because at the absolute most it could be said that 118 18 Money ought to have asked Mr N more about his actual living costs rather than relied on estimates of this.

However, I've not been provided with anything at all to show that when Mr N's committed regular living expenses and existing credit commitments were deducted from his income, he did not have the funds, at the time at least, to sustainably make the repayments needed to clear the amount he could owe within a reasonable period.

So, in these circumstances, it's difficult for me to conclude that 118 18 Money would have determined that Mr N didn't have sufficient funds to make the repayments for the increased credit limit. This is even if it had tried to find out more about his circumstances at the time.

In reaching my conclusions, I've also considered whether the lending relationship between 118 18 Money and Mr N might have been unfair to Mr N under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think 118 18 Money irresponsibly lent to Mr N 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.

So overall and having considered everything, while I can understand Mr N's sentiments, I don't think that 118 18 Money treated Mr N unfairly or unreasonably when providing him with his credit card or subsequently increasing his credit limit. And I'm not upholding Mr N's complaint. I appreciate this will be very disappointing for Mr N. 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 N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 10 March 2025.

Jeshen Narayanan  
**Ombudsman**