

The complaint

Mr O complains that Madison CF UK Limited trading as 118 118 Money was irresponsible in its lending to him.

What happened

In 2019, 118118 Money provided Mr O with a credit card account. He said that at the time he was experiencing financial difficulties and his credit report showed he had several defaults and a history of missed payments. He said that adequate checks weren't undertaken, and he was provided with a credit card account which wasn't affordable to him. Mr O said that despite further signs of financial difficulty on his credit file, including him missing payments on the 118118 Money account, his credit limit was increased in March 2020. Mr O said the credit trapped him in a cycle of debt and has had an impact on his credit score and affected his mental health.

118118 Money issued an initial final response not upholding Mr O's complaint but then issued a further final response dated 28 August 2024 in which it said that having reviewed Mr O's credit file from the time of his application it could have done more such as asked further questions to fully understand his circumstances. It carried out further checks and found the credit agreement to be unaffordable for Mr O and therefore it uphold his complaint.

118118 Money explained interest wasn't charged on the card and instead Mr O had paid a monthly subscription fee. It said it would refund the £155 of fees Mr O had been charged and his account balance would be adjusted to reflect this. It also said it would amend Mr O's credit file.

Mr O didn't think that 118118 Money's proposed resolution was sufficient given the extent of financial and emotional harm he was caused. He referred his complaint to this service.

Our investigator acknowledged that 118118 Money had upheld Mr O's complaint from the provision of the credit and said that its offer to adjust Mr O's outstanding balance to reflect the refund of the charges that had been applied was in line with what we would expect to happen. He noted Mr O's comment that the outstanding balance (now held by another party) should be fully or partially written off. However, he said that as Mr O had the benefit of the funds, he should be required to repay these, but not be liable for the charges on the account.

Our investigator noted the comment Mr O made about his credit file not being amended. He confirmed with 118118 Money that it had recorded the debt as satisfied and that it would contact the new debt owner to request that any adverse information be removed from Mr O's credit file and if there was an issue with this it would have the account transferred back to it to make the necessary amendments.

In regard to Mr O's comment about his vulnerabilities, our investigator said that 118118 Money had a specialist support team which could have helped Mr O had it been made aware of his situation. However, it said it wasn't aware of Mr O's vulnerabilities at the time and our investigator noted that Mr O said he disclosed these to 118118 money in July 2024.

Taking everything into account, our investigator thought the actions taken by 118118 Money provided a reasonable resolution to this complaint.

Mr O responded to our investigator's view. He said that 118118 Money had admitted that its checks were inadequate, and he said it therefore followed that the lending wasn't responsible. He said the outstanding issue was whether the redress provided was reasonable given the harm he had been caused.

Mr O said that the additional credit placed him in a cycle of unaffordable borrowing and said given when the credit was provided (start of the global pandemic) more caution not less should have been exercised. He said that when it was found the lending was unaffordable the agreement itself can be considered unfair and lenders can be required to write off part or all of the outstanding balance. He thought this needed to be considered in his case. Mr O also said the five-month delay in his credit file being updated resulted in him having credit applications rejected and needing to seek higher cost credit and that the misconduct by 118118 Money had caused him significant emotional distress which he should be compensated for.

Our investigator responded to the comments Mr O made. However, as these didn't change his view, this case has been passed to me, an ombudsman, to issue a decision.

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.

Mr O complained that 118118 Money was irresponsible in its lending to him. 118118 Money upheld his complaint from the account opening. As this complaint was upheld, I have considered whether the action taken by 118118 Money to remedy this complaint is reasonable and in line with what we would expect.

When a case of irresponsible lending is upheld, we wouldn't expect the lender to be able to benefit from the lending and would therefore expect all interest and charges to be removed and any interest and charges that had been paid to be refunded. In this case, 118118 Money has explained that interest isn't charged on the account and instead there is a monthly subscription fee. It has provided evidence of the monthly charges that Mr O incurred and said these totalled £155.

Mr O's account was transferred to another party and had an outstanding balance higher than the charges that had been applied. Therefore 118118 Money contacted the new debt owner to require that the £155 be removed from Mr O's outstanding balance. It said the balance would have been adjusted between September and October 2024. I find this action reasonable.

Mr O has said that given the circumstances of the lending part or all of his outstanding balance should be written off. I have considered his comments but in this case I do not require this to happen. While 118118 Money has accepted that further checks should have happened before the lending was provided, Mr O did have the benefit of the credit. And while I find it fair that 118118 Money doesn't benefit from its lending (hence the refund of the charges) I find it fair that Mr O is liable for the funds he had the benefit of.

Additional to the refund of interest and charges, in cases of irresponsible lending we would also expect the lender to remove any adverse information in relation to the account from the consumer's credit file once the outstanding balance had been repaid. In this case, 118118 Money has said that it has removed this account from Mr O's credit file and has contacted

the new debt owner to request that it takes action to remove the account. It said that if there was an issue with this it would take back the account and so the new debt owner's reporting would be removed. So, while I note Mr O's comment about the delay in his credit file being amended, as the action 118118 Money has taken will result in any negative information being removed from Mr O's credit file sooner than we would have required (that is when the balance had been repaid) I do not require it to provide compensation for this.

I am sorry to hear of the emotional distress Mr O has been caused. I do not underestimate how the pressure of this additional lending affected him. However, I cannot see that he made 118118 Money aware of his personal vulnerabilities until July 2024, when he raised his complaint about the credit being provided. His complaint was then investigated, and a final response issued within a reasonable timeframe. While I appreciate the initial response didn't uphold Mr O's complaint and this would have caused further upset, I think it reasonable that his concerns were investigated again, and I note his complaint was then upheld. Taking all of this into account, I do not find that I require 118118 Money to pay Mr O any additional compensation. Instead I find the actions taken in regard to the charges applied and his credit file amendments are a reasonable resolution to this complaint.

I've also considered whether 118118 Money acted unfairly or unreasonably in some other way given what Mr O has complained about, including whether its relationship with Mr O might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the action taken by 118118 Money results in fair compensation for Mr O 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.

My final decision

My final decision is that Madison CF UK Limited trading as 118 118 Money has taken reasonable action in response to Mr O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 2 April 2025.

Jane Archer
Ombudsman