

The complaint

Mr B complains that Madison CF UK Limited trading as 118 118 Money lent irresponsibly when it approved his credit card application.

What happened

Mr B applied for a credit card with 118 118 Money in February 2021. In his application, Mr B said he was employed with a monthly income of £1,799 and was renting his property. 118 118 Money used statistics to estimate Mr B's rent and general living expenses, totalling £819 a month. 118 118 Money carried out a credit search which found four defaults on Mr B's credit file registered between 2016 and 2018. All four defaulted accounts showed Mr B was making monthly repayments to reduce the outstanding balances. 118 118 Money also found Mr B had other unsecured debt with around £4,000 outstanding with monthly repayments of around £286. 118 118 Money applied its lending criteria and calculated Mr B had an estimated disposable income of £693 a month after meeting his existing outgoings.

118 118 Money approved Mr B's application and issued a credit card with a £1,200 credit limit. Mr B fell behind with repayments around July 2021. 118 118 Money's contact notes show Mr B later entered into a Debt Management Plan (DMP) via a debt advice service and reduced payments were agreed.

Last year Mr B complained that 118 118 Money lent irresponsibly and it issued a final response. 118 118 Money said it had carried out the relevant lending checks before approving Mr B's application and didn't uphold his complaint.

An investigator at this service looked at Mr B's complaint. They thought 118 118 Money had completed reasonable and proportionate checks before deciding to lend and didn't agree it lent irresponsibly. Mr B asked to appeal and said that 118 118 Money had failed to undertake sufficient checks to show his payments were sustainable. Mr B said he had a history of missing payments and had various accounts being managed by a debt advice service I'll refer to as S. Mr B said he was living on credit at the time of his application. As Mr B asked to appeal his complaint has been passed to me to make 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.

Before agreeing to lend, the rules say 118 118 Money had to complete reasonable and proportionate checks to ensure Mr B 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.

I've looked at Mr B's application and can see he confirmed he was employed full time with an income of £1,799 a month. The lending rules 118 118 Money operates under allow it to use estimates for a borrower's regular outgoings and I can see it followed that approach. Figures for Mr B's rent and general living expenses, totalling £819 a month were used. 118 118 Money has also provided a copy of Mr B's credit file. I can see Mr B did have four defaults noted on the credit file 118 118 Money obtained. But the newest default was almost three years old at the point of Mr B's application to 118 118 Money. And I note that all four default entries show Mr B was making regular monthly payments to reduce the outstanding balances.

The credit file showed that Mr B had other open credit at the time of his application, totalling around £4,000. I think it's fair to note there were no missed payments recorded on Mr B's active credit agreements which were all up to date. 118 118 Money took Mr B's regular debt repayments into account as part of its lending assessment when reaching the estimated disposable income figure.

Whilst I can see 118 118 Money found evidence Mr B had struggled with his debts, his situation appeared to have stabilised in the three years that followed and he was actively repaying the defaults. I'm satisfied 118 118 Money was aware of Mr B's credit file and took the defaults into account when reaching its decision about whether to lend.

I note that in response to the investigator Mr B said his defaults were being managed by S. But the credit file information obtained by 118 118 Money didn't show he was party to a DMP or that his accounts were subject to payment arrangements or being managed by S.

When 118 118 Money applied its lending criteria it calculated a disposable income of £693 a month which it says was sufficient to sustainably afford repayments to a new credit card with a limit of £1,200. In my view, 118 118 Money carried out reasonable and proportionate checks when considering Mr B's application and credit limit of £1,200. Overall, I'm satisfied the decision to approve Mr B's application based on the information 118 118 Money obtained was reasonable. I'm very sorry to disappoint Mr B but I haven't been persuaded that 118 118 Money lent irresponsibly.

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

My final decision

My decision is that I don't uphold 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 24 April 2025.

Marco Manente
Ombudsman