

The complaint

Miss L, through a representative, says Madison CF UK Limited, trading as 118 118 Money, irresponsibly lent to her

What happened

Miss L took out a loan for £3,000 over 36 months from 118 118 Money in January 2022. The monthly repayments were £142.21 and the total repayable was £5,119.56. She says either adequate checks were not completed, or the results were ignored. She should not have been given this loan.

118 118 Money says it carried out proportionate checks that showed the loan would be affordable for Miss L.

Our investigator did not uphold Miss L's complaint. He found the lender's checks were reasonable and showed the loan was affordable.

Miss L disagreed and asked for an ombudsman's review. She said prior to this she had taken out a number of loans (four with one company) and was juggling finances. Whilst she accepts she applied for the loan and at the time wanted it, it was not in her best interests. Her need to keep taking out high interest loans as she could not afford her existing borrowing should have been cause for concern. She had a CCJ registered against her in 2020 which again should have been a red flag. All of this has had a detrimental impact on her health and wellbeing - which was already poor as she was widowed suddenly prior to this loan being taken out.

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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

Having carefully thought about everything, I think that there are two overarching questions that I need to answer in order to fairly and reasonably decide Miss L's complaint. These two questions are:

1. Did 118 118 Money complete reasonable and proportionate checks to satisfy itself that Miss L would be able to repay the loan without experiencing significant adverse consequences?

- If so, did it make fair lending decisions?
- If not, would those checks have shown that Miss L would've been able to do so?

2. Did 118 118 Money act unfairly or unreasonably in some other way?

The rules and regulations in place required 118 118 Money to carry out a reasonable and proportionate assessment of Miss L's ability to make the repayments under this agreement. This assessment is sometimes referred to as an affordability assessment or affordability check.

The checks had to be borrower focused – so 118 118 Money had to think about whether repaying the loan would cause significant adverse consequences for Miss L. In practice this meant that the business had to ensure that making the payments to the loan wouldn't cause Miss L undue difficulty. In other words, it wasn't enough for 118 118 Money to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Miss L.

Checks also had to be proportionate to the specific circumstances of the loan application. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:

- the lower a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the greater the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss L's complaint.

118 118 Money has provided evidence to show that before lending it asked for some information from Miss L and other sources. It asked for her monthly income and checked this using industry standard verification. It asked for her living and housing costs and compared these to reasonable national averages, using the higher figure for each. It carried out a credit check to understand her credit history and her existing credit commitments. Based on these checks 118 118 Money learnt Miss L would have a monthly disposable income of £984.94 after taking on the loan. So it thought it was fair to lend.

I think these checks were proportionate given the value and term of the loan, and the amount of the monthly repayment (£142.21) relative to Miss L's income (£2,449). Miss L said she was not asked for payslips, but there is no set process a lender has to follow and in the circumstances of this loan the checks were adequate. And I think 118 118 Money made a fair lending decision based on the information it gathered. I'll explain why.

Miss L declared a monthly net income of £2,449 that 118 118 Money verified. The credit check showed monthly commitments of £336.37. 118 118 Money estimated her monthly living expenses to be £543.68 and her housing costs £441.80. So the loan was affordable on a pounds and pence basis and did not take the percentage of income she needed to spend on credit to a concerning level. But 118 118 Money also had to be sure that the loan would not cause any adverse financial consequences for Miss L over its term.

I have thought about this carefully as the credit check included some historic adverse data. Miss L had defaulted on an account in April 2016 and had a CCJ registered against her in September 2016. Her active credit however was largely well-managed. She had total debt of £7,174, mainly on credit cards (£6,305). Her credit utilisation was 85%, she was not using credit for cash and she consistently repaid significantly more than the minimum contractual repayment. Three months prior she had missed a single payment but that account was brought up-to-date the following month. She had been overlimit once on two cards in the last six months but again this was corrected the following month.

So, given the overall context, I am not persuaded the historic adverse data from 2016 was a reason to decline Miss L's application. It was reasonable for 118 118 Money to conclude that her finances had since stabilised.

Miss L said she also had a CCJ registered against her in 2020, but the results of 118 118 Money's credit checks do not show this judgment. I cannot know why and it may be other lenders' checks did show this CCJ, but I can only fairly expect the lender to respond to the results its checks returned. There can be various reasons the full credit file a consumer will see differs from the extract a lender receives – for example, not all lenders report to all the agencies.

It follows, based on the result of its proportionate checks, I do not think 118 118 Money was wrong to lend to Miss L. To be clear, I don't doubt Miss L's testimony that she was under financial pressure but given the nature of the loan it would not have been proportionate for the lender to carry out the depth of financial review needed to possibly discover this. I am sorry to hear how Miss L's financial position impacted her, particularly after her loss. I hope she now has the support she needs. StepChange (tel: 0330 055 2198) and MIND (tel: 0300 123 3393) are organisations that provide free assistance if not.

I've also considered 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 Miss L 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.

My final decision

I am not upholding Miss L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 1 July 2025.

Rebecca Connelley
Ombudsman