

The complaint

Mr J complains that Madison CF UK Limited trading as 118 118 Money was irresponsible in its lending to him. He wants all interest he has paid refunded along with statutory interest.

What happened

118118 Money provided Mr J with two loans. The first in March 2020 and the second in September 2020. Mr J says that when the loans were provided, he was struggling financially and was taking out cash advances on his credit cards. He says that adequate affordability checks weren't carried out before the loans were given and that his previous credit issues were ignored. He said the second, top up loan was offered to him when he wasn't working due to the pandemic. He said that these loans added to his financial struggles which in turn have adversely affected his mental health.

118118 Money issued a final response to Mr J's complaint on 3 October 2024. It said that the application process included getting information about Mr J's circumstances including his income and expenditure. It said the information provided was verified using industry tools and then assessed against its lending rules to determine if the lending was affordable and appropriate. It's checks considered that Mr J's credit report showed he had two defaults but that these were historic (November 2015 and January 2016). It said that his recent credit history didn't have any significant concerns. 118118 Money didn't agree that the lending was irresponsible.

Mr J didn't agree with 118118 Money's response and referred his complaint to this service.

Our investigator said the checks carried out before the loans were provided were proportionate. As these checks satisfied him that the lending was affordable, he didn't uphold this complaint.

Mr J didn't agree with our investigator's outcome. He said that his rent hadn't been included in the disposable income calculation and that the second loan was provided when the country was in a national lockdown, and his income had drastically reduced, and he was then made redundant. He was unhappy with the high rate of interest on the loans and that his debts had increased in the time between the loans. He said that his credit file would have also shown he was taking out cash advances on his credit cards.

Our investigator considered Mr J's comments and contacted 118118 Money for more information. 118118 Money said that no amount was included for rent/mortgage on Mr J's applications and so third-party data was used to provide a suggested average amount for this. Our investigator thought this was reasonable. He considered the comments about Mr J's employment but said that 118118 Money wouldn't have been aware that he was at risk of redundancy, and it was fair that it relied on the income data provided. He accepted that Mr J had taken out cash advances on his credit cards and that his debts had increased but he didn't think this was enough to require more checks to be done. Our investigator also sent Mr J information from 118118 Money that was used in its assessment of his applications.

Mr J didn't accept that accurate rental figures had been used and said that one of his loans hadn't been included in the assessments. As a resolution hasn't been agreed, this complaint 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.

Our usual way to consider complaints about unaffordable or irresponsible lending – including the main rules, guidance and good industry practice – is on our website.

The rules don't set out any specific checks which must be completed to assess a person's ability to repay a loan. But while it is for the firm to decide what specific checks it wants to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, how long the loan is for, the frequency and amount of the repayments, and the total cost of the credit.

Loan one: March 2020

Mr J was given a £2,000 loan in March 2020. The loan was repayable over 24 months with monthly payments of around £131. Before 118118 Money provided Mr J with the first loan, 118118 Money got information about Mr J's employment, income and residential status. It used third-party data to estimate his expenses and a credit check was also done.

Mr J told 118 118 Money he was employed with a monthly income of £1,484 and that he was renting. Mr J's credit check showed he had around £6,088 of total outstanding debt. This included around £2,050 on loans / instalment credit and £2,603 of revolving credit (things like credit cards/ store cards/catalogue accounts). Mr J was using around 70% of his total revolving credit balances. I do not find that these results suggested that Mr J was in more debt than he could afford to repay or that he was struggling to stay within his credit limits.

Mr J had financial difficulties previously and two of his accounts were recorded as defaulted. However, as the default dates were November 2015 and January 2016, I accept that these were historic, and I do not find they meant lending shouldn't have been provided. However, given Mr J had financial difficulties previously, it was important to ensure that he was in a better financial situation at this time. Having carefully looked through Mr J's credit report, this showed he was managing his existing credit accounts well, with only one missed payment recorded in the previous six months which was brought up to date the following month. Mr J had made a cash withdrawal in January 2020, but this wasn't a regular occurrence, and I do not find this was enough to suggest he was struggling financially when considering the other information available.

Having considered the information from Mr J's credit report I do not find that this suggested that he was having financial difficulties at the time. And when considering the amount of the loan and the repayments compared to Mr J's declared income, I find the checks carried out were proportionate.

However, just because I consider the checks to have been proportionate, that doesn't necessarily mean that the loan should have been given. To assess that I have reviewed the information 118118 Money received to see if this should have raised any concerns.

Mr J's credit file suggested he was managing his existing credit accounts and didn't show any worrying signs of financial difficulty in the months before the loan was given. Mr J's payments to his credit accounts were recorded as around £269 a month and having looked

through his credit report I find this reasonable.

Mr J didn't provide details of his expenses as part of his application and so third-party estimates were relied on. As I've said above, I think these checks were proportionate and so I have considered whether these raised any concern about the affordability of the loan. The figures used by 118118 Money were £180 for rent and £371 for other outgoings. While I note 118118 Money's comments that these were from third party sources, they do appear lower than I'd expect, and I have seen higher amounts were used when loan two was considered six months later. However, based on the above figures, after repayments towards the 118118 Money loan, Mr J had disposable income of around £533 each month. So, even if higher figures were used for Mr J's rent (Mr J has told us he was paying £500 a month) I still do not find this would have shown the loan to be unaffordable.

So, for the reasons set out above, I do not find that 118118 Money was wrong to provide loan one to Mr J.

Loan two: September 2020

Loan two was used to settle loan one and provide an additional £1,000 of funds. The total loan amount was £2,658.35 and Mr J was required to make 24 monthly repayments of around £174.

As this was Mr J's second loan, 118118 Money had details about how he had managed his first loan. I have looked through the statement of account and can see that Mr J was making the required payments on the first loan in line with the agreement. Therefore, I do not find that his management of that loan raised any concerns.

Mr J has said that this loan was provided during the pandemic and that his income had reduced and that he was then made redundant. I have considered these comments but I have nothing to show that Mr J told 118118 Money that his income was at risk and so I cannot say that 118118 Money was wrong to rely on the income information provided.

Mr J's declared monthly income was the same as declared for loan one, being £1,484. The credit check showed the existing 118118 Money loan. His balances on his revolving credit had increased to around £3,464, and he was using around 81% of his credit limits. The credit file showed that Mr J was up to date on all of his existing credit accounts. He had taken out two cash advances in March 2020 but there were no advances recorded in the months before loan two. Having considered Mr J's credit check results, I do not find these suggested Mr J was struggling financially at the time. Given this and considering the amount of the monthly repayments for loan two compared to Mr J's income, the checks carried out were proportionate.

Mr J's repayments to his credit accounts were noted as around £210 a month and estimates were used for his rent and other outgoings. His estimated rent was £318, and his estimated other outgoings were around £554. Deducting these amounts suggested that loan two was affordable for Mr J.

So, while I understand that Mr J doesn't think the loan should have been provided, in this case I'm satisfied that the checks carried out were proportionate and as these didn't raise any concerns about the affordability of the loan, I do not find 118118 Money was wrong to approve the loan.

Mr J has also complained about the high rate of interest charged on the loans. I understand the comments he has made. But the pre-contract credit information and the loan agreements clearly set out the interest that would be charged. They also provided details of the monthly

repayments and total amount repayable. So, Mr J was provided with the information he needed to be aware of the cost of the loans. Had he decided after agreeing to the loans that the interest rate was too high, he could have used his right to withdraw within the first 14 days to repay the loan back.

So, for the reasons set out above, I do not uphold this complaint.

I've also considered whether 118118 Money acted unfairly or unreasonably in some other way given what Mr J has complained about, including whether its relationship with Mr J 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 118118 Money lent irresponsibly to Mr J or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, give a different outcome here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 23 May 2025.

Jane Archer
Ombudsman