

The complaint

Mr M complains that Madison CF UK Limited trading as 118 118 Money have irresponsibly lent to him.

What happened

Mr M was approved for a 118 118 Money credit card in February 2023 with a £2,000 credit limit. Mr M says that 118 118 Money irresponsibly lent to him, and he made a complaint to 118 118 Money, who did not uphold his complaint. 118 118 Money said they were satisfied that they acted correctly in approving his application. Mr M brought his complaint to our service.

Our investigator did not uphold Mr M's complaint. She said that she had not seen any adverse data regarding Mr M's credit file in the checks 118 118 Money completed and the repayments would be a low proportion of Mr M's income.

Mr M asked for an ombudsman to review his complaint. He made a number of points. In summary, he said if 118 118 Money asked him for proof of earnings there would have been a different outcome. He said the income he declared was from a company that hadn't started trading yet, so it was potential income. He said he was using other credit cards to fund his repayments.

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 approve the credit available to Mr M, 118 118 Money needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks 118 118 Money have done and whether I'm persuaded these checks were proportionate.

118 118 Money said they completed a credit check with a Credit Reference Agency (CRA) and they used information that Mr M had provided before approving his application. The information showed that Mr M declared he was self-employed, and he declared a net monthly income of £1,907.

It's not clear why Mr M declared he was already self-employed on his application and his net monthly income was declared as £1,907 when he's told us his business hadn't started trading yet. The application did not ask him for potential income.

Although Mr M has said 118 118 Money did not ask for proof of his earnings, they are not required to verify every applicant's income and expenditure. It wouldn't be proportionate for 118 118 Money to believe that Mr M would have declared potential income to them.

118 118 Money used modelling to estimate expenditure for Mr M, which is an acceptable industry standard way of estimating expenditure for a borrower. 118 118 Money used information from Mr M about his housing costs (£575 a month). They also used information from the CRA regarding how much Mr M was paying a month for his existing credit commitments and they calculated repayments for the 118 118 Money credit card into the affordability calculation.

So I'm satisfied that the affordability assessment was personalised to Mr M's situation. The affordability assessment showed that Mr M would be able to sustainably afford repayments for a £2,000 credit limit. 118 118 Money were also able to include information from the CRA about Mr M's credit commitments into the affordability calculation.

The CRA that 118 118 Money used reported that Mr M had £12,216 of active unsecured debt. £4,915 of this was showing as revolving credit (such as credit cards/store cards). Mr M had credit limits for his revolving accounts totalling £18,300, so he was using slightly over a quarter of his available limits, so it would not appear he was reliant on credit here.

The checks also showed that Mr M was not in arrears on any of his active accounts when the checks were made, and he hadn't been in arrears on any of his active accounts for the previous 12 months. There were no visible defaults or County Court Judgements (CCJ's) being reported by the CRA that 118 118 Money used. So 118 118 Money would have no reason to doubt the income information Mr M told them.

So I'm persuaded that the checks 118 118 Money carried out were proportionate for the amount of credit they approved for Mr M, and I'm persuaded they made a fair lending decision to approve the initial credit limit. It would not have been proportionate for 118 118 Money to have made further checks such as verifying Mr M's income and outgoings or requesting his bank statements prior to approving his application and providing him with a £2,000 credit limit.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that 118 118 Money lent irresponsibly to Mr M 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, lead to a different outcome here. So it follows I don't require 118 118 Money to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 7 May 2025.

Gregory Sloanes
Ombudsman