

The complaint

Mrs A complains that Madison CF UK Limited trading as 118 118 Money (118 118) acted irresponsibly in agreeing to lend to her.

In bringing her complaint Mrs A is represented by a third party. For ease of reading I will only refer to Mrs A in my decision.

What happened

In February 2019 Mrs A applied for a credit card account with 118 118. Her application was successful and 118 118 applied a credit limit of £225. In June 2020 118 118 increased Mrs A's credit limit to £600.

In December 2019 Mrs A entered into a Fixed Sum loan agreement with 118 118 for £2,000 payable over 24 months at £122.26. In June 2020 Mrs A entered into another Fixed Sum loan agreement with 118 118 for £2,649.35, this was a further advance of £1,000 with the remainder settling Mrs A's first loan from February 2019. Loan Two was repayable over 24 months at £161.06. In April 2022 Mrs A again entered into a Fixed Sum loan agreement with 118 118 for £3,500, repayable over 24 months at £212.48.

Mrs A said 118 118 hadn't properly checked the affordability of the lending and if they had they would have seen she was reliant on borrowing. She complained to 118 118.

118 118 said their checks had been proportionate and reasonable. They checked Mrs A's application data, her credit history and assessed her income and expenditure. On each occasion Mrs A had a good credit history and sufficient disposable income to sustain her repayments.

Mrs A wasn't happy with 118 118's response and referred her complaint to us.

Our investigator agreed 118 118's checks had been proportionate and that they'd made fair lending decisions.

Mrs A disagreed and asked for her complaint to be considered by an ombudsman.

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.

I appreciate Mrs A will be disappointed by my decision but having done so I'm not upholding this complaint. I'll explain why.

Considering the relevant rules, guidance and good industry practice, I think the overarching questions I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are whether 118 118 carried out proportionate checks. And whether the lending made was affordable and sustainable for Mrs A.

Regulations in place at the time 118 118 lent to Mrs A required them to carry out a reasonable assessment of whether she could afford to repay the loan in a sustainable manner, this is sometimes referred to as an “affordability assessment” or “affordability check”.

The affordability checks should be “borrower-focused”, meaning 118 118 need to think about whether repaying the lending sustainably would cause difficulties or adverse consequences for Mrs A. In other words, it wasn’t enough for 118 118 to think only about the likelihood that they would get their money back without considering the impact of the repayments on Mrs A herself.

Checks must also be proportionate considering the specific circumstances of the lending being applied for. What constitutes a proportionate affordability check will generally depend on several factors such as the specific circumstances of the borrower, their financial history, current situation and whether there are any indications of vulnerability or financial difficulty.

Consideration should also be given to the amount, type and cost of credit they’re applying for. This could mean a proportionate check could differ for the same borrower for different loan applications.

So, I’ve considered whether 118 118 in lending to Mrs A has been thorough in the checks they made. And whether they’ve taken all these factors into account in deciding to lend to her.

Mrs A had a credit card account with 118 118 and she also entered into three loan agreements with them.

Credit Card

When Mrs A applied for a credit card account 118 118 provided her with a revolving credit facility rather than a loan. This meant 118 118 was required to understand whether a credit limit of £225 could be repaid within a reasonable period, rather than in one go. A credit limit of £225 required relatively low monthly payments to clear the full amount owed within a reasonable time.

118 118’s credit assessment showed Mrs A had an income of £1,720, housing costs £400, other outgoings of £344 and credit commitments of £543.32. Leaving Mrs A with a disposable income of £432.68. As outlined above for credit cards 118 118 needed to determine that Mrs A would be able to settle any outstanding balance within a reasonable time. And 118 118 needed to base this on Mrs A drawing the full amount down immediately. I can see 118 118 considered this to be a monthly repayment of £15 which I think is reasonable.

118 118 checked Mrs A’s income and credit commitments through a credit check. I can see Mrs A had several credit cards, mail order accounts, a hire purchase agreement and unsecured loans. But all were being well managed and apart from the hire purchase agreement and one of the unsecured loans, the remainder were for relatively low amounts and credit limits. And from 118 118’s assessment they’d factored these amounts into Mrs A’s expenditure. I can also see from this that Mrs A did have a couple of registered defaults. But these were several years prior to the application. And given how much time had passed, this doesn’t indicate to me that 118 118 should have realised that Mrs A didn’t have the funds to make the monthly payment that would be required for this credit card. I think given the low level of lending 118 118 took reasonable steps to determine Mrs A’s income and expenditure and these checks showed Mrs A had sufficient income to repay the lending within a reasonable period.

In June 2020 118 118 increased the credit limit to £600. Again, 118 118 reviewed Mrs A's credit file. From their assessment they found Mrs A's income to be £2,150, housing costs £400, other outgoings £595.55 and credit commitments of £804.87. I've reviewed the information they found, and I haven't seen anything that would have highlighted Mrs A was experiencing financial difficulties at the time. In addition, 118 118 had internal data as to how Mrs A was managing her credit card account with them. This showed she was within her credit limit and that she at times paid more than the minimum repayment that was required. 118 118's assessment showed Mrs A had a disposable income of £349.58, and they determined she'd need to pay around £42 a month to settle the account in a reasonable period. Given the type of lending and the relatively low credit limit I think 118 118's checks were proportionate and based on these I think 118 118 made a fair lending decision when they increased Mrs A's credit limit.

Loan One – December 2019.

From Mrs A's application she stated she was a council tenant; her marital status was noted as "other" and she was employed on a full time basis with a monthly income of £2,150. No details were provided about her housing costs or other expenditure.

118 118 has shown they checked Mrs A's credit file, verified her income through a credit reference agency (CRA) and used reasonable average statistics to assess Mrs A housing and living costs. From this they determined Mrs A had housing costs of £400, other outgoings of £537.50 and credit commitments of £693.57. After factoring in the new lending of £122.26 Mrs A had a disposable income left of £396.82 for non-discretionary spending and unexpected costs.

While her credit file showed she'd previous defaults these were historic. And all of her active accounts were being managed well. Given the Fixed Sum agreement Mrs A entered into was for £2,000 repayable over 24 months at £122.26 I think 118 118 took reasonable steps to establish Mrs A's income and outgoings and based on these checks they made a fair lending decision.

Loan Two – June 2020

118 118 has shown they checked Mrs A's credit file and used her declared income which they'd previously verified - £2,150. They used reasonable average statistics to assess Mrs A housing and living costs. From this they determined Mrs A had housing costs of £358, other outgoings of £595.55 and credit commitments of £693.27. After factoring in the new lending of £161.06 Mrs A had a disposable income left of £341.72 for non-discretionary spending and unexpected costs.

Her credit file still showed the historic defaults, all of her active accounts were being managed well. Given the Fixed Sum agreement Mrs A entered into was used to settle Loan One, her monthly outgoings would have increased by under £40 a month as the new lending was to be repaid at £161.06 a month. I haven't seen any evidence Mrs A was struggling to maintain her loan repayments for Loan One. So, I think 118 118 took reasonable steps to assess Mrs A income and expenditure and based on these checks they made a fair lending decision.

Loan Three – April 2022

118 118 has shown they checked Mrs A's credit file and verified Mrs A's declared income of £2,500 through a CRA check. Mrs A declared outgoings totalling £845 made up of housing costs of £350, council tax of £150, utilities f £200, credit commitments of £100 and insurance of £45. I can see Mrs A underdeclared her credit commitments which isn't unusual given she

was looking to borrow money. And 118 118 showed they didn't accept Mrs A's declared credit commitments but used the more accurate amount showing from their credit check - £903.60. 118 118 again assessed Mrs A's housing and living costs based on statistical data and determined these to be £399.47 and £695 respectively, again higher than those declared by Mrs A. After factoring in the new lending of £221.48 Mrs A had a disposable income left of £289.45 for non-discretionary spending and unexpected costs.

Her credit file showed the historic defaults being over six years old had been removed from her credit file. But I can see she'd defaulted on a telecommunications account in March 2021 for £139. All of Mrs A's active accounts were being managed well. And her overall outstanding balances had reduced by around £7,000 from her first loan application.

118 118 also had internal data about how Mrs A had managed her previous loans with them. And I can see Mrs A settled Loan Two in April 2022. I haven't seen any evidence that she missed any payments as her credit file showed she managed the account well and was up to date with her repayments.

Although there was a small default balance, I don't think there was anything that would have highlighted to 118 118 that Mrs A would struggle to maintain her repayments as she'd sufficient disposable income to sustain her commitments under the agreement. So, I'm satisfied the checks done by 118 118 were proportionate and their lending decision was fair.

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 can't conclude that 118 118 lent irresponsibly to Mrs A or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that s140A would, given the facts of this complaint, lead to a different outcome here. So, it follows I don't require 118 118 to do anything further.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 28 May 2025.

Anne Scarr
Ombudsman