

The complaint

Mr M complains that Madison CF UK Limited trading as 118 118 Money was irresponsible in its lending to him. He wants the interest charged above the base rate refunded along with interest.

What happened

Mr M was provided with two loans by 118 118 Money.

Loan	Date	Amount	Term	Monthly repayments
1	June 2020	£1,000	12 months	£102.78
2	May 2021	£2,949.91	60 months	£95.90

Mr M didn't think that 118 118 Money carried out adequate checks before the loans were provided. He said the interest charged was well above market rates and that the offer of a second pre-approved loan before the end of the original loan should not have been made. Mr M explained that the loan repayments and knowledge of the high amount of interest being charged had caused him stress.

118 118 Money issued a final response to Mr M. It said that before the loans were provided it gathered information about Mr M's employment, income and expenses. It said a credit check was carried out and it used information from the application process along with data from the credit reference agencies and third parties in its lending decision.

118 118 Money believed its checks to be proportionate and said these suggested the loans to be affordable for Mr M.

Mr M referred his complaint to this service.

Our investigator thought the checks carried out before the first loan was provided were proportionate and as these suggested the loan to be affordable for Mr M he didn't think that 118 118 Money was wrong to provide the loan.

Our investigator thought that additional checks should have been undertaken before the second loan was provided. However, he found that had these happened they would still have shown the loan to be affordable for Mr M. Therefore, he didn't uphold this complaint.

Mr M didn't accept our investigator's view. He said the calculations didn't accurately reflect his essential spending noting his fluctuating but necessary expenses, such as unexpected bills, vehicle maintenance and irregular family costs. He also didn't think that the increasing cost of living had been adequately considered.

Mr M said that the 118 118 acted irresponsibly by approving a second loan before he had repaid his first given his financial vulnerabilities and that the interest rate charged was exorbitant and constituted unfair practice under Section 140A of the Consumer Credit Act 1974. He said the interest rate significantly exacerbated his financial difficulties.

Our investigator considered Mr M's comment but as these didn't change his view, and 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 general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Mr M was provided with two loans by 118 118 Money, and I have considered each of these lending decisions separately.

Loan 1: June 2020

Mr M was provided with a £1,000 loan by 118 118 Money in June 2020. The loan term was 12 months and Mr M was required to make monthly payments of around £103. Before the loan was provided, 118 118 Money gathered information about Mr M's income and carried out a credit check. Mr M declared that he was employed full time with a monthly income of £3,234. His credit report showed he had existing credit commitments including a mortgage, loans and credit cards. Mr M had no county court judgments or recent defaults recorded and his accounts were up to date.

Given the size and term of the loan and the cost of the repayments compared to Mr M's income and as his credit report didn't raise any major issues, I find the checks carried out before the loan was provided were proportionate.

While I think the checks were proportionate, this doesn't necessarily mean that the loan should have been provided. To assess this I have looked at the results of the checks to see if these raised concerns that meant more questions should have been asked or that the loan shouldn't have been provided.

Mr M's credit report showed that he was operating very close to his limits on his credit cards. He had also taken out cash advances in the past 12 months. While these could be signs that he might be struggling I do not think these alone were enough to say that the loan shouldn't have been provided. Instead I think it meant that 118 118 Money would need to be clear that Mr M had sufficient disposable income to afford his repayments without difficulty. Having looked through Mr M's credit commitments, his mortgage costs were recorded as £609 and his other credit commitments as just under £500. An amount of just under £720 was included for Mr M's other outgoings. Deducting Mr M's costs from his income left sufficient disposable income to cover the costs of the 118 118 Money loan repayments and allow for unforeseen or additional unexpected costs. Therefore, I find that the checks suggested the loan to be

affordable and so I do not uphold this complaint in regard to loan one.

Loan 2: May 2021

Mr M maintained his repayments towards loan one and settled the loan as part of loan two. Therefore, I cannot say that his account management with 118 118 Money should have raised any concerns. However, loan two was for a much larger amount than loan one and while the monthly repayments were for a lower amount, this was because the loan term was significantly longer.

Before loan two was provided, 118 118 Money gathered information about Mr M's income and carried out a credit check. Mr M's credit check didn't record any defaults or county court judgments, and his accounts were up to date. Mr M's unsecured debts had increased since loan one to just under £12,000. While I do not think that Mr M's credit file suggested he was struggling at the time, given the term of the loan I think that it would have been proportionate for 118 118 Money to have gained a clearer understanding of Mr M's expenses before lending to him to ensure the repayments would be sustainably affordable over the loan term.

118 118 Money wasn't required to obtain copies of Mr M's bank statements but as I think it should have asked further questions to understand Mr M's regular expenses, I have looked through these to establish whether further questions would have raised concerns about the affordability of the lending.

Mr M's bank statements for the three months leading up to loan two show him receiving a regular income that averaged around £3,076 a month. He was making regular payments towards his existing credit commitments including his mortgage, loans and credit cards as well as paying for other essential costs such as insurances, communications /media contracts, council tax and utilities. These costs averaged around £2,230 a month. Deducting these amounts, along with the 118 118 Money loan repayments of around £96 would leave Mr M with disposable income of around £750 for his general living costs such as food fuel and other expenses.

I note Mr M's comment that he doesn't think this is enough given the rising cost of living over the term and the need to cover unexpected and additional infrequent costs. However, in this case, I think the disposable income was enough to say that had further checks been carried out it would be reasonable for 118 118 Money to consider the loan to be affordable for Mr M.

Mr M has also noted the interest rates on the loans saying these were exorbitant. While I note his comment the loan agreement clearly set out the interest that would be charged, the total cost of credit and the repayments he would need to make. Therefore, I find he was provided with the information he needed to make an informed decision as to whether or not to enter into the loan. Had he decided after agreeing to the loan that he wasn't happy with the interest being charged then he had the right to withdraw within the first 14 days. So, while I understand Mr M's concerns and I am sorry to hear of the financial pressure this has put him under, I do not find I can say that 118 118 Money did anything wrong.

I've also considered whether 118 acted unfairly or unreasonably in some other way given what Mr M has complained about, including whether its relationship with him might have been unfair under Section 140A of the Consumer Credit Act 1974.

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 M to accept or reject my decision before 22 July 2025.

Jane Archer
Ombudsman