

The complaint

Mr G, through a representative, says Madison CF UK Limited, trading as 118 118 Money, irresponsibly lent to him.

What happened

This complaint is about a 12-month instalment loan for £1,500 that 118 118 Money provided to Mr G on 9 December 2022. The monthly repayments were £167.39 and the total repayable was £2,008.68.

Mr G says 118 118 Money failed to conduct proportionate checks and could have done more prior to lending.

Our adjudicator did not uphold Mr G's complaint. He said 118 118 Money's checks were proportionate and did not show anything that ought to have led it to make a different lending decision.

Mr G disagreed with this assessment and asked for an ombudsman's review. He said based on his level of debt and the adverse data on his credit file 118 118 Money ought to have carried out more checks.

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, there are two overarching questions that I need to answer in order to fairly and reasonably decide Mr G's complaint. These two questions are:

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

- If so, did it make a fair lending decision?
- If not, would those checks have shown that Mr G 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 Mr G'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 Mr G. In practice this

meant that the business had to ensure that making the payments to the loan wouldn't cause Mr G undue difficulty or significant adverse consequences. In other words, it wasn't enough for 118 118 Money to simply think about the likelihood of getting its money back, it had to consider the impact of the loan repayments on Mr G.

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 Mr G's complaint.

118 118 Money has provided evidence to show that before lending it asked for some information from Mr G. It asked for his monthly income and verified this externally. It asked for his housing costs and his general living costs and sense checked these against reasonable averages. It used the lower of the income figures and the higher of the housing and living costs. It carried out a full credit check to understand Mr G's credit history and his existing credit commitments. Based on these checks 118 118 Money thought it was fair to lend as Mr G would have £394 monthly disposable income after taking on this loan.

I think these checks were proportionate given the value and term of the loan, the stage in the lending relationship and the amount of the monthly repayment relative to Mr G's declared income. And I think 118 118 Money made a fair lending decision based on the information it gathered. I'll explain why.

118 118 Money learnt Mr G's net monthly income was £1,946, his existing credit commitments were £380, his housing costs were £375.95 and his living costs were £630. So the loan seemed affordable on a pounds and pence basis. I note Mr G had declared much lower housing costs of £200 – as he was living with parents at the time I think his declaration may have been more accurate and he therefore likely had more disposable income than 118 118 Money calculated.

His credit check showed he had £16,380 of debt. £14,789 of this was on one hire purchase agreement. He had credit card debt of £1,350. He had made no minimum payments in the last 12 months and no cash withdrawals on his credit card. He was using a low amount of his overdraft facility (£83). In the last six months there were some late payments and overlimit instances, but at the time he applied all active accounts were up-to-date and

his credit utilisation was 87%. Mr G had defaulted on an account in July 2020, but the debt was just £51 and had been settled. So I don't think this adverse data was enough to have made 118 118 Money think there was a risk this loan would not be sustainably affordable for Mr G given the results of its affordability assessment.

It follows I don't think 118 118 Money was wrong to lend to Mr G.

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 Mr G 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.

My final decision

I am not upholding Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 2 July 2025.

Rebecca Connelley
Ombudsman