

The complaint

Miss R has complained that Madison CF UK Limited trading as 118 118 Money, acted irresponsibly when it provided her with a £2,000 personal loan in September 2024.

Background

Miss R applied for a £2,000 personal loan from 118 118 Money in September 2024. The loan was for 24 months and Miss R had repay a total of £2,935.20 over the term of the loan. She has explained that at the time she applied for the loan she was gambling in a compulsive and harmful way. She believes that the business didn't do sufficient checks and that if it had asked to see her bank statements it would have seen she was gambling thousands of pounds each month and refused to provide her with access to more credit.

She has asked that the business refund all interest and charges attached to the loan and remove it from her credit file.

118 118 Money has said that when Miss R applied for the loan it completed all the necessary checks to ensure it was affordable for her. Having done so it believed she had sufficient disposable income to meet the monthly repayments of £122.30, and that the loan was sustainable. It was unaware she had a gambling problem and didn't think there was anything in the information available to it at the time she applied for the loan that indicated it wouldn't be manageable for her. So it didn't think it had done anything wrong and didn't uphold the complaint.

Unhappy with 118 118 Money's response Miss R brought her complaint to this service. One of our investigators looked into it already. She found that the checks completed by 118 118 Money at the time Miss R applied for the loan were sufficient and that there was nothing in those checks that would have made it aware she had a compulsive spending problem. So she didn't think the business was wrong to approve the loan and didn't uphold the complaint.

Miss R disagreed with the investigator's findings and repeated the business should have looked at her bank statements before agreeing the loan. If it had done so, she believes it would have been apparent she couldn't afford the loan and was gambling in a harmful and destructive way. She asked for an ombudsman to review her complaint and so it's been passed to me for consideration.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so I agree with the findings of our investigator and won't be upholding Miss R's complaint. I know this will come as an enormous disappointment for her, so I've set out my reasons below.

I'd like to begin by confirming that this service isn't a regulatory body or a Court of Law and doesn't operate as such. Instead, this service is an informal, impartial dispute resolution

service. And while we do take relevant law and regulation into account when arriving at our decisions, our remit is focussed on determining whether we feel a fair or unfair outcome has occurred – from an impartial perspective, after taking all the factors and circumstances of a complaint into consideration.

I also want to acknowledge that I've summarised the events of the complaint. But I want to assure both parties that I've reviewed everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key issues. Our powers allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

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, the total cost of the credit and what it knew about the consumer at the time of application.

The crux of Miss R's concerns are linked to the fact that 118 118 Money didn't ask to see her bank statements before approving her loan application. It's important therefore, to clarify from the start, that there is no legal or regulatory requirement on the business to ask to see bank statements before approving an application for credit. Rather the rules set out by the regulator state that a business ought to run proportionate checks, but it doesn't specify what those checks need to be.

This means that businesses have the discretion to use different types of checks depending on the type of credit, term of lending and amount being lent. Generally speaking the more credit someone is applying for, and how long the lending will last for, will impact the types of checks a business may complete. So, for example, the types of checks completed for an overdraft application will likely be less intensive than the checks for a mortgage application.

When Miss R applied for her loan, which was for £2,000 over 24 months, 118 118 Money asked her to complete an income and expenditure form, checked her credit file and compared the information provided by her against data from the Office of National Statistics (ONS) for verification purposes. Having done that, there was nothing in that information that indicated the loan wouldn't be affordable for Miss R or that she would struggle to meet her monthly repayments. So the application was approved.

I've reviewed this information as well, and can see that Miss R had a declared monthly income of £2,500, and once her rent, existing credit obligations and utilities were paid, had a disposable income of approximately £935 each month. So it appeared she had access to sufficient funds to easily meet the monthly repayments of £122.30.

However Miss R has said that she was gambling several thousand pounds each month, and that this should have been taken into consideration when calculating her monthly outgoings. But that sort of spending wouldn't have been apparent to 118 118 Money at the time and wouldn't have been considered as fixed spending each month. So, I can't say the business was wrong not to consider it because it was unaware it was happening. And as I mentioned above 118 118 Money wasn't obliged to ask for Miss R for bank statements before approving the lending. So, it had no idea she was gambling in the destructive manner she was.

I want to clarify that I don't doubt Miss R when she says the loan wasn't genuinely affordable

or that her gambling was out of control and causing her harm. She has provided copies of her bank statements to us as part of her submissions, and it is very clear from those that she was experiencing high levels of financial harm at the time.

However, I can only uphold a complaint when I can show a business failed to do something it should have done. And because there is no obligation on lenders to specifically ask for bank statements when checking whether or not lending is affordable, I can't say the business was wrong when it didn't ask Miss R to show it her statements.

Instead, the test is here is whether or not the checks 118 118 Money did do were sufficient. And based on what I've seen I think they were.

As mentioned above, the business checked Miss R's credit file, which showed she had less than £10,000 of existing debt, which was generally well managed. There was some evidence of historic issues, but her repayments had been well maintained for the 11 months prior to this lending application. And she was sitting at less than 80% utilisation of the credit already available to her. Her income was verified via Transunion and fixed monthly outgoings compared to ONS data for additional verification.

So, I can't see anything that ought to have prompted the business to ask for more information or have raised concerns that she wouldn't be able to afford the monthly repayments over the term of the loan. And without looking at the bank statements there was nothing to alert 118 118 Money to the harm Miss R was experiencing.

All of which means I think the checks completed by the business were sufficient and there was nothing in those checks that indicated the loan wouldn't be manageable for Miss R. So I can't uphold her complaint against 118 118 Money.

I've also considered whether 118 118 Money acted unfairly or unreasonably in some other way, including whether its relationship with Miss R might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974. However, for the same reasons I've set out above, I've not seen anything that makes me think this was likely to have been the case.

My final decision

For the reasons set out above I don't uphold Miss R's complaint against Madison CF UK Limited trading as 118 118 Money.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 20 June 2025.

Karen Hanlon
Ombudsman