

The complaint

Mr H complains Madison CF UK Limited trading as 118 118 Money provided him with an unaffordable loan.

Mr H's complaint has been brought to our service by a professional representative, however for ease I've referred to all submissions as though they are his own.

What happened

Mr H was provided with the following loan by 118 118 Money:

Date	Capital amount	Term (months)	Monthly repayments	Total repayable amount
August 2022	£3,500	24	£250 (approx.)	£6,100 (approx.)

Mr H complained to 118 118 Money in August 2024. He said this loan was unaffordable for him and that had 118 118 Money completed better checks it ought to have identified this.

118 118 Money issued a final response letter in September 2024 in which it didn't uphold his complaint. It said it completed proportionate checks and made a fair lending decision when providing this loan for Mr H.

Unhappy with 118 118 Money's response Mr H referred his complaint to our service.

Our investigator didn't uphold Mr H's complaint. They considered 118 118 Money hadn't completed reasonable and proportionate checks; but based on the information they went on to consider they concluded 118 118 Money made a fair lending decision when providing Mr H with this loan.

118 118 Money didn't respond to our investigator's view; Mr H responded and asked for an ombudsman's decision, so the complaint has been passed to me to decide.

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.

The information in this case is well known to Mr H and 118 118 Money, so I don't intend to repeat it in detail here. I've focused my decision on what I consider to be the key points of this complaint; so, while my decision may not cover all the points or touch on all the information that's been provided, I'd like to assure both parties I've carefully reviewed everything available to me. I don't mean to be discourteous to Mr H or 118 118 Money by taking this approach, but this simply reflects the informal nature of our service.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website.

At the time 118 118 Money provided this loan it needed to take reasonable steps to ensure it was affordable and sustainable for Mr H. There isn't a set list of checks 118 118 Money needed to conduct, but we'd expect the checks to be proportionate to the terms of lending being provided. In practice this means we generally consider a lender's checks need to be less thorough at the early stages of a lending relationship – in terms of the information it obtains and looks to verify to reach its decision. But if the lender identifies information through its checks which ought reasonably to cause it concern, because for example the information suggests there's a higher risk of the lending being unaffordable or unsustainable, we'd expect more detailed checks from the lender for it to be able to evidence it didn't lend to a customer irresponsibly.

I've used this approach to help me decide this complaint.

118 118 Money has said it obtained Mr H's declared income and validated this via an online credit tool check. It also says it obtained Mr H's declared expenditure and reviewed this against statistical data, as well as completing a credit check to understand Mr H's existing commitments to credit and his current and recent management of credit accounts.

118 118 Money has said it considers these checks were proportionate; and based on the information it obtained it went on to make a fair lending decision when providing Mr H with this loan.

I've carefully considered 118 118 Money's arguments. Having done so, I'm not persuaded its checks were proportionate; however, for reasons I'll go on to explain below, I consider it made a fair lending decision when providing Mr H with this loan.

118 118 Money obtained Mr H's declarations about his income and expenditure; and it validated these against industry recognised tools and statistical data. The validation suggested Mr H's income was slightly less than he'd declared, so it used this lower figure in its calculations. 118 118 Money says it also used the higher of the expenditure details received from Mr H's declarations and the statistical data it obtained.

The credit check 118 118 Money obtained showed Mr H had a relatively low value of outstanding debt, standing at around £1,600. It also showed that he was using around 70% of his available revolving credit. However, there was historic and recent adverse information within the report; Mr H had defaulted an account around 15 months prior to this lending, and a CCJ had been recorded on his credit file about 12 months prior, which was still active.

118 118 Money could also see Mr H had frequently used payday/home credit lending, although this use appears to have reduced over the 12 months leading up to this loan. Having said that, Mr H had opened four of these accounts within this period, two of which were still active. And within the last 12 months Mr H had reported arrears on two separate lines of credit; although I note within the six months leading up to this lending decision Mr H appears to have maintained his lines of credit well.

I consider the information 118 118 Money obtained about Mr H's recent use and management of credit ought to have caused it some concerns. Although this was a relatively modest value loan, and Mr H had a relatively modest level of outstanding debt, I think his use and recent management of credit ought to have led to it verifying his income and expenditure, rather than relying on industry data, to satisfy itself he could sustainably afford to repay this loan.

The rules aren't prescriptive in what information 118 118 Money needed to review in order to get an understanding of Mr H's financial situation.

Mr H has provided us with his bank statements which cover the three months leading up to 118 118 Money's lending decision. However, I'm mindful that 118 118 Money could have asked Mr H for any evidence which would have verified the details, such as payslips, a rental agreement and utility bills, for example; or statements covering a month or two before this lending event.

Having reviewed the statements I'm not persuaded that 118 118 Money's checks would have concluded this loan was unsustainable or unaffordable for Mr H. I say this because I can see Mr H's income was generally at the level he'd declared to 118 118 Money, averaging around £1,900 per month, which was higher than it had used in its calculations.

I've seen some payments to non-discretionary expenditure such as insurances, mobile phones and subscriptions which appear to total around £500 per month; slightly less than Mr H had declared. I've also seen payments to existing lines of credit which on average appear to total around £400.

So, taking the above into account I'm satisfied Mr H's evidenced income, non-discretionary expenditure and commitments to existing credit, as well as the repayments to this new loan, appear to be sustainably affordable for Mr H. I say this as Mr H is left with a considerable level of disposable income after these calculations.

I would note that I've not seen any payments for housing costs, and the credit check 118 118 Money obtained didn't report a mortgage. Mr H declared housing costs of £300 a month in his application. Given the disposable income I've found above, even after taking into account repayments to this loan, I consider, on balance, it more likely than not that Mr H was left with a reasonable level of disposable income to cover his housing costs.

Mr H made us aware in his complaint that he was gambling, and that had 118 118 Money completed proportionate checks it ought reasonably to have identified this.

I've thought very carefully about this point. As I've set out above, 118 118 Money could have looked to verify Mr H's income and non-discretionary expenditure via any reasonable means, as the rules and regulations it needs to follow aren't prescriptive in what information or evidence it must consider. I've also taken into account that Mr H was looking to obtain lending, so on balance, I consider it more likely than not that he would have provided 118 118 Money with information and evidence that he would consider presented his financial situation in the most positive light.

In any event, the statements generally show that Mr H was using his own funds to gamble, and I've seen he received significant credits into his account from these gambling companies each month; in two of the three months the credits were higher than the debits.

So, I'm not persuaded that had 118 118 Money completed proportionate checks that it would, or ought reasonably to, have become aware of Mr H's gambling; or declined to lend to him based on what it would more likely than not have reasonably seen, given the individual circumstances of this case.

Did 118 118 Money act unfairly or unreasonably in any other way

I've considered whether 118 118 Money has acted unfairly or unreasonably in any other way, including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974.

However, for the reasons I've set out above, I don't think 118 118 Money lent irresponsibly to Mr H, or otherwise treated him unfairly in relation to this agreement. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

So, for the reasons set out above I don't consider 118 118 Money made an unfair lending decision when providing this loan; and it therefore follows it doesn't need to take any further action in resolution of this complaint.

My final decision

My final decision is that I don't uphold Mr H's complaint about Madison CF UK Limited trading as 118 118 Money.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 22 July 2025.

Richard Turner
Ombudsman