

The complaint

Ms M has complained that Madison CF UK Limited trading as 118 118 Money ("Madison") gave her loans that she couldn't afford to repay.

What happened

A summary of Ms M's borrowing can be found in the table below.

loan number	loan amount	total to repay	agreement date	repayment date	number of monthly repayments	highest repayment per loan
1	£1,100.00	£2,075.76	30/06/2016	11/01/2017	24	£86.49
2	£1,904.36	£3,511.44	11/01/2017	24/08/2017	24	£146.31
3	£3,624.10	£6,920.40	24/08/2017	09/08/2018	24	£288.35
4	£3,137.12	£5,920.08	09/08/2018	sold	24	£246.67

Apart from loan 1, each new loan was a consolidation loan, so Ms M was advanced further funds as well as an amount equivalent to settle the previous loan. Ms M had problems repaying her final loan and Madison sold the balance to a third party in September 2019.

Following Ms M's complaint Madison wrote to her to say her first loans had been complained about too late, and so they wouldn't be investigated. In relation to loan 4, Madison said it hadn't made a mistake in providing the loan. Unhappy with this response, Ms M referred the complaint to the Financial Ombudsman.

An investigator then considered what Madison said about Ms M bringing her complaint here too late for loans 1 – 3. He concluded that Ms M's complaint had been made too late for these loans and the Financial Ombudsman could only consider loan 4. Ms M agreed with this and so the investigator went on to consider the offer that had been made by Madison when it supplied its file in relation to loan 4.

Madison's latest offer – which was different to the one it made when Ms M brought her complaint here - included it doing the following to resolve the complaint.

- Madison will purchase the debt back from the current owner.
- It will deduct the total payments made by Ms M towards from the capital balance that was advanced.
- If this results in Ms M having paid more than the capital it will refund the difference along with 8% simple interest.
- However, if after the deductions an outstanding balance remains, Madison will work with Ms M on a suitable repayment plan.
- Madison says it will remove the loan from the credit file because *"As we will be removing the account from the consumers credit file, any repayment plans that are set up will not be visible on the credit file."*

The investigator concluded, in their latest assessment that Madison ought not to have granted loan four given Ms M's recent credit file data – which it knew about. The investigator said the above offer would put Ms M back into the position she would've been in had the loan not been advanced and so the offer was fair. He also said, that given everything he wasn't persuaded to award any payment for distress and inconvenience.

Ms M didn't fully agree saying although loans 1 - 3 couldn't be looked at, these earlier loans compounded her difficulties. As a result, of her financial position she's unable to use a high street provider for her mortgage and her credit cards have a larger interest rate than they may have done – had there not been any adverse information. In order to resolve the complaint, Ms M has asked for a write off of the loan balance and a payment for distress and inconvenience.

The investigator explained why these comments hadn't changed his mind about the outcome he'd reached. Therefore, 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.

I want to be clear, that Ms M has accepted the investigator's conclusions that loan 1 – 3 were complaint about too late. So, I've not looked at those loans as part of this decision as there is now no ongoing dispute about them. Instead, this decision will look at loan 4 only,

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.

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 Ms M. 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 Ms M's complaint.

It's worth saying here that Ms M agreed with the assessment reached by the investigator that her final loan ought to not have been granted. And Madison has made an offer to put things right for Ms M in relation to the final loan as well. So, it doesn't seem that there isn't any dispute that the final loan ought to not have been approved.

But for the sake of completeness, I agree with the investigator that Ms M's credit search results, that Madison received before granting this loan, demonstrated that she was having financial difficulties at the time. Ms M had defaulted on another loan only two months before her final loan and there was evidence Ms M was a regular use of payday loans. There had

also been recent payment arrangements and missed payments on a further loan and a mail order account.

Given this information – which Madison received, it ought to have considered that further lending wasn't sustainable especially as Ms M was refinancing a previous loan for the third time and was only taking £500 of new money – with the rest of the loan funds going towards repaying a previous loan.

Therefore, I do think Madison has sufficient information to uphold the loan. However, the crux of this complaint, and why it come to decision is in essences what Madison needs to do in order to put things right for Ms M.

Why I think the offer made by Madison is fair and reasonable in the circumstances of the complaint

I've carefully considered what Ms M has said in response to the assessment by the investigator – that being she should have the balance written off and have a payment for distress and inconvenience.

In the first instance, where it's decided that a loan or line of credit shouldn't have been granted – as is the case here with loan 4 – the Financial Ombudsman will try as far as practically possible to put Ms M back into the position that she would've been in had the loan not been granted.

But there are difficulties with this – by taking loan 4, Ms M was able to settle loan 3 and she has of course had access too and spent the further funds she received as a result of being granted the loan. Its therefore not possible to simply unwind the loan agreement.

As this is the case, I've had to consider how else Madison may be able to put things right for Ms M. The starting point is that Ms M shouldn't have to pay any of the interest, fees and charges applied to the fourth loan – in short Ms M should in effect receive an interest free loan.

If the loan has been repaid then a refund of interest, fees and charges is the financial loss caused and so that needs to be refunded. But this is based on the assumption that a consumer has already repaid the capital which was borrowed – which is always the starting point. However, in this complaint, there is still currently an outstanding balance because Ms M hasn't repaid what she borrowed.

Therefore, if Madison hadn't made the offer, I'd have recommended, that it removes interest, fees and charges from the balance, and treat all payments made by Ms M as if they went towards repaying the capital she borrowed. It's only after the capital has been repaid, that any refund would be due and 8% simple interest added to this balance.

An outstanding balance may well still remain – indeed, the calculations that I have done seem to suggest there will be – unless of course Ms M has made further payments to the current third-party debt owner. Bearing in mind what I've said above, Ms M will need to repay the capital she has borrowed and then I think it's fair and reasonable that some sort of payment plan is put into place.

In addition to this, Madison has also fairly said that it will remove the adverse information (and loan) from Ms M's credit file – which again, is in line with the approach the Financial Ombudsman may have taken.

Therefore, as far as I can see, Madison has made an offer to put things right for Ms M in line with the approach that I'd have taken with this complaint. So, as it stands, I think the offer it has made to resolve the complaint is fair and reasonable.

I've also considered what Ms M says about asking for the debt to be written off as a gesture of goodwill, but I've not seen anything at the moment to suggest the loan was so obviously unsustainable that it shouldn't have been lent and or that setting up a repayment plan for the outstanding balance would be reasonable.

Of course, it could be that Madison may take the decision to write off the outstanding balance – following any further discussion with Ms M – but it's something that, in this complaint I am not going to be recommending it do, based on the information and evidence that I have to hand.

Payment for distress and inconvenience

I have also considered, whether there should be a payment for any distress and inconvenience Miss M may have suffered. As I've outlined above, refunding the interest, fees and charges or only collecting the capital advanced deals with any direct financial loss that has been caused.

I've considered all the circumstances of the complaint and I'm satisfied that the offer, in its totality, is fair and reasonable and no further award, is needed.

Contact from Madison and interest rates on her other accounts

I've also noted what Ms M has said about not hearing from Madison for a number of years. But the debt was sold in 2019, so after that date it was no longer responsible for the collection of the balance and so I wouldn't have expected Madison to have contacted Ms M.

I'm sorry to hear that Ms M hasn't been able to use a high street lender for her mortgage and she says she is receiving a higher rate of interest on her credit cards. But I haven't been provided with any evidence to show the sole reason for her mortgage and credit card interest rate is because of Madison's actions in granting the final loan. As so, I can't recommend any further payment.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress Madison has agreed to pay and which I've outlined below is fair compensation for Ms M in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Therefore, in line with what Madison has already agreed to do to put things right for Ms M it should do the following on the basis it is able to buy the debt back which it has told the Financial, Ombudsman Service is its intention.

- Madison should remove all interest, fees and charges applied to this loan from the outset. The payments Ms M made, whether to Madison directly or any third-party, should be deducted from the new starting balance – the £3,137.12 originally lent. If once all adjustments have been made this shows that Ms M has made overpayments, these overpayments should also be refunded to Ms M together with

interest at 8% simple a year from the date they were made by Ms M to the date of settlement†

- if once all adjustments have been made this shows that Ms M still has an outstanding balance to repay, Madison should contact Ms M to arrange a suitable repayment plan. Ms M is encouraged to get in contact with and cooperate with Madison to reach a suitable agreement for this.
- In line with the offer, remove the loan from Ms M's credit file.

† HM Revenue & Customs requires Madison to take off tax from this interest. Madison must give Ms M a certificate showing how much tax it has taken off if she asks for one.

My final decision

Madison CF UK Limited trading as 118 118 Money has already made an offer to settle the complaint as directed above and I think this offer is fair in all the circumstances.

So, my decision is that Madison CF UK Limited trading as 118 118 Money pay the offer.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 30 May 2025.

Robert Walker
Ombudsman