

The complaint

Mr R complains that Madison CF UK Limited trading as 118118 Money was irresponsible in its lending to him. He wants all interest and charges removed from his loan and for the payments he has made to be treated as payments towards the capital he borrowed. He then wants 118118 Money to work with his debt management company to agree a repayment plan.

What happened

Mr R was provided with a £5,000 loan by 118118 Money in August 2024. The loan term was 24 months and Mr R was required to make monthly repayments of around £363.

Mr R said that when he applied for the loan, he already had a high amount of debt. He said he had taken out two loans in February 2024 which should have raised concerns. Mr R said that while his accounts were all up to date, 118118 Money didn't carry out adequate checks to ensure he would be able to sustainably repay the loan. He said his bank accounts should have been checked and had this happened, 118118 Money would have seen he had no salary, and his monthly withdrawals were greater than his deposits. He said the loan shouldn't have been provided.

118118 Money issued a final response dated 23 October 2024. It said that as part of the application, Mr R was taken through extensive questions about his income and expenditure, personal circumstances and employment details. It said Mr R's declared income was verified using credit reference agency data and that this data was also used to confirm his outgoings. It said that its checks didn't raise any concerns about the lending. Therefore, it didn't uphold this complaint.

Mr R referred his complaint to this service.

Our investigator thought the checks carried out before the loan was provided were proportionate. He noted these didn't raise any concerns about how Mr R was managing his existing credit commitments and as they suggested the loan repayments to be affordable, he didn't uphold this complaint.

Mr R didn't agree with our investigator's view. He said that 118118 Money said he recorded his monthly credit commitments as £250 which he didn't recall, but noted the checks showed these to be £1,500. He thought this difference should have raised concerns. He said that his bank account showed he was at breakeven each month and that his income was from day trading. He also noted the loans he had taken out in February 2024 which he thought showed a pattern of someone borrowing to pay off existing debt. He noted that in June and July 2024, his withdrawals exceeded his deposits.

Our investigator noted Mr R's comments but as these didn't change his view, and a resolution wasn't agreed, this complaint was passed to me, an ombudsman, to issue a decision.

My provisional conclusions

I issued a provisional decision on this complaint. While I didn't uphold the complaint, as our investor hadn't, I provided additional reasoning for this. The details of my provisional decision are below.

Mr R applied for a £5,000 loan. At the time of application, he was asked about his employment and income and his credit costs. Mr R said he was self-employed with a monthly income of £5,300 and was paying £250 towards his loans and credit cards. He provided no further details of his monthly expenses. 118118 Money verified Mr R's income using credit reference data and carried out a credit check. The credit check reported that Mr R had total unsecured debts of £48,712 including loans of £37,742 and revolving debt of £8,972 and was making payments higher than the amount he declared. While Mr R was managing his existing credit commitments, with no missed payments, arrears or defaults recorded, he was utilising a high proportion of his revolving credit limits and his overdraft and he was taking out cash advances on his credit cards. His debt had increased by over £10,000 in the previous 12 months and while I note the income checks provided a strong result for Mr R's income over the previous three months, this was lower for the 12 month period. Given these results, I think that it would have been proportionate for 118118 Money to have carried out further checks to ensure it had a clear understanding of Mr R's income and expenses before the loan was provided.

While I do not find that 118118 Money was necessarily required to obtain copies of Mr R's bank statements, as I think further checks should have been undertaken to understand his financial situation, I have looked at the statements Mr R has supplied for the months leading up to the loan being provided. These show him receiving payments from two sources of investments. Mr R has explained that he was day trading. Mr R's application details noted him as self-employed and his average monthly income in the months leading up to his application was slightly above the £5,300, he declared. Therefore, I find it reasonable that his declared income figure was relied on.

Looking through Mr R's expenses, while his application noted him as a homeowner, no mortgage is recorded on his credit file and his account statements show him paying £2,300 a month for rent. Therefore, I accept that further questions would have identified this as his monthly housing cost. Additional to his rent Mr R was paying for his council tax, communications contracts and other subscriptions. These totalled around £240 a month.

118118 Money carried out credit checks and I think it reasonable that it will have relied on the information these provided. The credit checks showed Mr R making monthly credit repayments of around £1,507. Having looked through Mr R's bank statements he was making monthly repayments towards loans of around £1,040. While he was making higher payments towards one of his credit cards, I find it reasonable that the repayments were based on the balances noted in the credit reports. Based on 5% repayments of the outstanding balances, Mr R's credit card and charge card costs would be around £450 a month. This gives total credit commitments before the 118118 Money loan repayments of around £1,500, which is in line with 118118 Money's credit check results.

Deducting Mr R's rent and other regular costs and his existing credit commitments from his income would leave around £1,260 to cover the costs of the 118118 Money loan repayments and Mr R's general living costs. Therefore, I do not find in this case that further checks would have resulted in the loan being identified as unaffordable.

While I note Mr R's comment about the amount of debt he had, and I can see he had taken on new borrowing around six months before this loan, as his credit report didn't raise any concerns about how he was managing his credit commitments and the loan appeared affordable, I do not find I can say that 118118 Money was wrong to provide the loan.

I've also considered whether 118 118 Money acted unfairly or unreasonably in some other way given what Mr R has complained about, including whether its relationship with him 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 118118 Money lent irresponsibly to Mr R 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.

Following my provisional decision, 118118 Money confirmed it had nothing further to add.

Mr R didn't accept my provisional decision. He said that the loans he received earlier in the year, before the 118118 Money loan gave a false impression of his income as they allowed him to trade with more margin increasing his monthly returns. He said that in the months leading up to the 118118 Money loan his outgoings were higher than his income and that a check of his bank statements would have shown him receiving payments from investment sites.

Mr R also said that his monthly loan repayments were £363 a month and that his payments towards his credit card were higher than noted in the provisional decision. He said that 118118 Money had checked his accounts through open banking.

Mr R thought that further checks should have been carried out before the loan was provided and had these happened 118188 Money wouldn't have given him the loan.

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.

I have considered Mr R's comments and looked again at this case. Mr R correctly noted that his 118118 Money loan repayments were around £363 a month. I can assure Mr R that my assessment was based on this loan repayment figure. While I have taken on board Mr R's responses, these haven't changed my conclusions.

As I explained in my provisional decision, I think that given Mr R's high utilisation of his existing credit limits, his overdraft and that his debt had increased in the months leading up to the 118118 Money, 118118 Money should have carried out further checks before lending to ensure the loan would be affordable for Mr R.

Had further checks happened, I find these would have supported Mr R's declared income figure of £5,300 and shown him to be paying £2,300 a month for rent and around £240 for his other regular costs. While I note Mr R was making higher payments in certain months towards one of his credit cards, I think it reasonable that 118118 Money relied on the information it gained through its credit checks regarding Mr R's existing credit commitments. These gave monthly credit costs of around £1,500. Deducting these and Mr R's housing and other costs would leave around £1,260 to make his repayments for the 118118 Money loan

and to pay for his other living costs. Therefore, in this case, while I think additional checks should have taken place. I do not think these would have shown the loan to be unaffordable for Mr R. Therefore, I do not uphold this complaint.

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 R to accept or reject my decision before 9 July 2025.

Jane Archer
Ombudsman