

## **The complaint**

Mr W complains Madison CF UK limited trading as 118 118 Money (118 118) acted irresponsibly as they didn't sufficient check he could sustain repayments when they agreed to a credit card account and subsequent credit limit increases.

## **What happened**

Around September 2022 Mr W applied for a credit card account with 118 118. His application was successful and 118 118 applied a credit limit of £1,200. In April 2023 118 118 increased Mr W's credit limit to £3,000. And in October 2023 they increased it further to £4,000. Mr W said he was borrowing to pay other borrowing, and 118 118 should have seen he was financially struggling before they agreed to lend to him. He complained to them.

118 118 said they'd checked Mr W's application data and credit history. And they'd also asked about his income and expenditure, personal circumstances and employment status before they'd agreed to lend to him. And based on these checks they said they'd made fair lending decisions.

Mr W wasn't happy with 118 118's response and referred his complaint to us.

Our investigator said 118 118's checks for the initial lending and first credit limit increase were proportionate and reasonable. And that 118 118 had made a fair lending decision. But for the second credit limit increase she said 118 118 should have done further checks. But based on the evidence provided by Mr W through his bank statements she said that the lending was fair as Mr W should have had sufficient disposable income to sustain the repayments.

Mr W didn't agree and asked for an ombudsman 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 appreciate my decision will disappoint Mr W. But having done so I'm not upholding this complaint. I'll explain why.

What's important to note is that 118 118 provided Mr W with a revolving credit facility rather than a loan. Unlike a loan there isn't a fixed amount that Mr W had to pay each week/month. Any required payment would be based on transactions he'd made that month and any outstanding balance.

118 118 were approving a credit limit of £1,200. As it was revolving credit while there's no set amount that needed to be repaid each month, the relevant guidance requires a firm to assume when carrying out their assessment that the entire credit limit is drawn down at the earliest opportunity and repaid in equal instalments over a reasonable period. This means

that 118 118 was required to understand whether any applied credit limit could be repaid within a reasonable period of time, rather than in one go. So I think 118 118 could have reasonably assumed Mr W would need to be able to sustain repayments of around £60 per month. I can see that in their assessment 118 118 considered Mr W would need to repay around £84.

118 118 Money said they agreed to Mr W's application after they obtained information about his income and outgoings, and cross checked this through a credit search. And the information obtained indicated that Mr W would be able to make the monthly repayments due for this credit card.

I can see from these checks Mr W had a monthly income of £2,900. He'd a mortgage repayment of £500, other outgoings totalling £748.20 and credit commitments of £1,199.50. Which would have left Mr W with £454.30 disposable income before the new lending (around £84) was factored in. These checks would show Mr W should have been able to sustain his repayments.

Mr W's credit check reported some adverse data as he'd three accounts that had a default in 2017, 2018 and 2019. But while the report shows Mr W had previous defaults these were historic, and Mr W appeared to be maintaining his credit commitments at the time. It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – it doesn't automatically mean that a lender won't offer borrowing. Here, 118 118 considered the information that Mr W had on his credit file and still made a decision to lend which I don't think is unreasonable.

But any lending should be borrower focussed and I can see from 118 118's checks that Mr W had cash advances of £1,190 in the preceding 12 months. Being able to take cash advances is generally a standard credit card option but this type of transaction incurs a fee. And would be the first that needed to be repaid so it can be seen as a sign of financial vulnerability. And given Mr W had struggled financially previously I think 118 118 should have checked further into his financial situation.

Mr W has been asked to provide his bank statements for the three months leading up to the lending decision for us to be able to determine his financial situation at the time. But Mr W hasn't provided these. In reaching my decision I've considered the available evidence. So, on balance, I can't say 118 118 acted unfairly as the checks they did showed Mr W should have had sufficient disposable income to sustain any repayments.

In April 2023 118 118 increased Mr W's credit limit to £3,000. They did similar checks. Mr W's income was validated to be £2,900. His outgoings were £500 for his mortgage, £748.20 for other living costs and his credit commitments had reduced to £376.20 a month. This meant Mr W's disposable income before factoring in the new lending (118 118 considered this to be around £210) would be £1,275.60. This would show Mr W's financial situation had improved. But I can see he was still making cash advances, although for a lesser amount £950.

118 118 also had the additional evidence as to how Mr W was managing his credit card account with them. I can see for the three months leading up to the credit limit increase Mr W had a zero outstanding balance on his credit card account, having settled any monthly transactions he'd made in full. So I think the checks made by 118 118 were reasonable and proportionate. And I think they acted fairly by increasing Mr W's credit limit as I've seen no reason to say they shouldn't have been able to rely on the evidence they gathered from these checks.

In October 2023 118 118 increased Mr W's credit limit to £4,000. Again they did similar checks and found Mr W's income to be £2,900. His outgoings were £500 for his mortgage, £742.40 for other living costs and £888.20 for his credit commitments. 118 118 said this should have left Mr W with £769.40 in disposable income before factoring in the new lending which they assessed to be around £280. But I can see that Mr W's use of cash advances had increased reaching £3,266 which could be a sign of financial vulnerability. And I think 118 118 should have checked into this further.

Mr W has provided his bank statements for the three months prior to the lending. This doesn't mean I'd expect 118 118 to ask for bank statements but I think they provide a good indication of Mr W's finances at the time of the lending.

I've considered Mr W's bank statements. And can see his income on average was more than the £2,900 118 118 had used in their assessment. I haven't seen any signs of financial vulnerability such as unpaid direct debits or overdraft usage. Mr W was maintaining his non-discretionary expenditure, and had disposable income each month to sustain his credit commitments with 118 118. So I don't think 118 118 acted unfairly by agreeing to lend to Mr W. Had 118 118 checked further I think they would have still lent to Mr W as they wouldn't have seen any evidence that would have shown Mr W wouldn't be able to sustain his repayments.

I've also considered whether 118 118 acted unfairly or unreasonably in some other way given what Mr W has complained about, including whether their relationship with him might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But, for the reasons I've already given, I don't think 118 118 lent irresponsibly to Mr W or otherwise treated him unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 4 August 2025.

Anne Scarr  
**Ombudsman**