

The complaint

Ms H, through a representative, says Madison CF UK Limited, trading as 118 118 Money, irresponsibly lent to her.

What happened

This complaint is about a 36-month instalment loan for £5,000 that 118 118 Money provided to Ms H on 15 January 2023. The monthly repayments were £220.62 and the total repayable was £7,942.32.

Ms H says 118 118 Money failed to carry out sufficient checks prior to lending and she was already in financial distress.

Our investigator did not uphold Ms H's complaint. She said 118 118 Money's checks were proportionate and did not show anything that ought to have led it to make a different lending decision.

Ms H disagreed with this assessment and asked for an ombudsman's review. She said she had no disposable income at the time as her living and housing costs were much higher than the lender's estimates. It was not reasonable for the lender to use these estimates as she was a single mother of three. She provided evidence of her actual outgoings.

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.

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.

Having carefully thought about everything, there are two overarching questions that I need to answer in order to fairly and reasonably decide Ms H's complaint. These two questions are:

1. Did 118 118 Money complete reasonable and proportionate checks to satisfy itself that Ms H would be able to repay the loan without experiencing significant adverse consequences?

- If so, did it make a fair lending decision?
- If not, would those checks have shown that Ms H would've been able to do so?

2. Did 118 118 Money act unfairly or unreasonably in some other way?

The rules and regulations in place required 118 118 Money to carry out a reasonable and proportionate assessment of Ms H's ability to make the repayments under this agreement. This assessment is sometimes referred to as an affordability assessment or affordability check.

The checks had to be borrower focused – so 118 118 Money had to think about whether repaying the loan would cause significant adverse consequences for Ms H. In practice this meant that the business had to ensure that making the payments to the loan wouldn't cause Ms H undue difficulty or significant adverse consequences. In other words, it wasn't enough for 118 118 Money to simply think about the likelihood of getting its money back, it had to consider the impact of the loan repayments on Ms H.

Checks also had to be proportionate to the specific circumstances of the loan application. 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 the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. 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 H's complaint.

118 118 Money has provided evidence to show that before lending it asked for some information from Ms H. It asked for her monthly income and verified this externally. It estimated her housing and general living costs using national averages. It carried out a full credit check to understand Ms H's credit history and her existing credit commitments. Based on these checks 118 118 Money thought it was fair to lend as Ms H would have £539.73 monthly disposable income after taking on this loan.

I think these checks were proportionate given the nature of the loan, the stage in the lending relationship, Ms H's existing debt level and the amount of the monthly repayment relative to Ms H's declared income. And I think 118 118 Money made a fair lending decision based on the information it gathered. I'll explain why.

118 118 Money learnt Ms H's net monthly income was £1,858, her existing credit commitments were £225.70, her housing costs were £271.82 and her living costs were £600.13. So the loan seemed affordable on a pounds and pence basis. Ms H argues as she was a single mother of three it wasn't right to rely on national statistics as her actual outgoings were much higher. Whilst I can see they were from the information she has supplied, she declared on her application form that she had no dependants. So I think it was reasonable for the lender to use averages for the profile she declared. Had she declared her dependants I think it would have needed to do more but I can only fairly expect 118 118 Money to respond to the information Ms H provided.

Ms H's credit check showed she had £3,038 of debt. I am satisfied the cost of £225.70 that 118 118 Money used to reflect her credit commitments was reasonable – she had one loan

with monthly repayments of £124 and £1,704 of revolving debt which, assuming a sustainable repayment rate of 5% of balance, would cost £85.20 a month. All accounts, bar one, were up to date and well-managed. The exception was a mail order account that was in an arrangement to pay but I am not persuaded this factor in isolation was a reason not to lend given the results of the affordability assessment. And there were no other arrears and no defaults on Ms H's file. Her credit utilisation was 83%, she was not using an overdraft facility and had no payday loans. Ms H says she was in financial distress at the time but I don't think there were conclusive indications of this on her credit file.

It follows I don't think 118 118 Money was wrong to lend to Ms H.

I've also considered whether the relationship 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 118 118 Money lent irresponsibly to Ms H or otherwise treated her 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.

My final decision

I am not upholding Ms H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 4 October 2025.

Rebecca Connelley
Ombudsman