

Complaint

Mr G has complained about a personal loan Madison CF UK Limited (trading as “118 118 Money”) provided to him. He says that it ought to have known the loan was unaffordable and so shouldn’t have provided it to him.

Background

118 118 Money provided Mr G with a loan for £4,000.00 in August 2023. This loan was due to be repaid in 24 monthly instalments of £295.26.

One of our investigators reviewed what Mr G and 118 118 Money had told us. And he thought that 118 118 Money hadn’t done anything wrong or treated Mr G unfairly. So he didn’t recommend that Mr G’s complaint be upheld.

Mr G disagreed and asked for an ombudsman to look at his complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr G’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr G’s complaint. I’ll explain why in a little more detail.

118 118 Money needed to make sure that it didn’t lend irresponsibly. In practice, what this means is 118 118 Money needed to carry out proportionate checks to be able to understand whether Mr G could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

118 118 Money says it agreed to Mr G’s application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out and all of this information showed Mr G could afford to make the repayments he was committing to.

On the other hand, Mr G has said that the monthly payments for the loan were unaffordable to him and eventually led to him entering into a debt management plan.

I've carefully thought about what Mr G and 118 118 Money have said.

The first thing for me to say is that this was Mr G's first loan with 118 118 Money. And 118 118 Money has provided an output of the income and expenditure information recorded at the time of Mr G's application as well as a record of the results of its credit searches. From what I've seen, Mr G didn't have any significant adverse information such as defaults or county court judgments ("CCJ") recorded against him.

118 118 Money's searches appear to show that Mr G's active unsecured debt total at the time of the application wasn't excessive in comparison to his declared income, which had been validated against information from credit reference agencies on the amount of funds going into his main bank account each month. Given the overall position in the credit searches, I don't think that anything stood out to indicate that the loan payments may have been unaffordable, or as an obvious reason not to lend to him.

I accept that Mr G's actual circumstances may not have been reflected either in the information he provided, or the other information 118 118 Money obtained. I'm also sorry to hear that Mr G was struggling financially and that he found it difficult to repay his loan. But 118 118 Money could only make its decision based on the information it had available at the time. And, given there wasn't anything inconsistent in the information that 118 118 Money gathered at the time, I don't think proportionate checks would have extended into 118 118 Money asking Mr G to evidence what he was declaring at the time of his application.

For the sake of completeness, I would also add that while I've noted what Mr G has said about 118 118 Money lending to him at a time that he was vulnerable, he's also said that his health condition was undiagnosed at this point too. In these circumstances, I don't think that 118 118 Money could have known about Mr G's undiagnosed health concerns, or taken them into account when deciding to lend to him.

Finally, I've also noted that Mr G is unhappy that 118 118 Money recorded a default against him. He says that it was unfair for 118 118 Money to take such action when he was in a debt management plan and making payments to this loan through it. I've thought about what Mr G has said and do sympathise with what he has told us.

I fully appreciate why he's unhappy with adverse information being recorded on his credit file and worried about the impact this will have. But when 118 118 Money sought to terminate the agreement, Mr G was in significant arrears. While Mr G was in a debt management plan the payments being made were only around 10% of the original monthly repayment.

So the payments Mr G was making were never sufficient to bring him back on track with repaying the loan in line with the terms of the original agreement. Equally, there was no indication that Mr G's position would be changing any time soon. In these circumstances, I don't think it would have been fair, reasonable or proportionate for 118 118 Money to hope for the best and ignore Mr G's obvious and apparent inability to repay this loan within a reasonable period indefinitely.

As this is the case, I would have expected 118 118 Money to have taken action in the way that it did in January 2024. After all, while terminating a facility and recording a default, or other adverse information, might be viewed negatively by other lenders, it does offer the borrower certain protections in relation to the debt that is in arrears.

In my view, asking 118 118 Money to remove the default, when Mr G didn't repay this debt in line with the initial terms and conditions, would arguably be counterproductive and not in Mr G's interests or that of any future lender.

In these circumstances and considering everything in the round, I do think that 118 118 Money acted fairly and reasonably and exercised forbearance by accepting payments through Mr G's debt management plan. That said, I'm not persuaded that Mr G being in a debt management plan precluded 118 118 Money from defaulting the account.

Therefore, I'm satisfied it was fair and reasonable for 118 118 Money to have defaulted Mr G's account, when it did, bearing in mind what it knew about his circumstances and his overall position at this time.

Overall and having considered everything, I'm satisfied that 118 118 Money carried out reasonable and proportionate checks which showed this loan to be affordable to Mr G. Furthermore, I don't think that it failed to treat Mr G fairly or reasonably in defaulting the account when it did. As this is the case, I'm not upholding this complaint. I appreciate this will be very disappointing for Mr G. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 5 January 2026.

Jeshen Narayanan
Ombudsman