

The complaint

Mr N, through a representative, says Madison CF UK Limited, trading as 118 118 Money, irresponsibly lent to him.

What happened

Mr N took out a loan for £2,000 over 24 months from 118 118 Money in February 2023. The monthly repayments were £145.17 and the total repayable was £3,484.08.

Mr N says he should not have been approved as his credit file and bank statements would have shown a high use of credit which was quickly spiralling out of control. In the end he had to enter a debt management plan.

118 118 Money says it carried out adequate checks that showed Mr N could afford the loan.

Our investigator did not uphold Mr N's complaint. He said 118 118 Money's checks were not proportionate but it could fairly have made the same lending decision had it completed an appropriate level of checks.

Mr N disagreed and asked for an ombudsman's review. He said, in summary, there was adverse data on his credit file that meant better checks were needed. He went on to take out 15 payday loans during 2023. He was almost continually using all of his £1,000 overdraft facility. Had 118 118 Money reviewed his bank statements it would not have given him this 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.

We've set out our approach to considering unaffordable and irresponsible lending complaints on our website including the key relevant rules, guidance and good industry practice. I've had this approach in mind when considering Mr N's complaint.

118 118 Money needed to take reasonable and proportionate steps to ensure that it didn't lend to Mr N irresponsibly. This means it should've carried out reasonable and proportionate checks to satisfy itself that Mr N could repay the loan in a sustainable way. These checks could take into account a number of things such as the loan amount, the repayment amount and Mr N's income and expenditure.

This means to decide this complaint I need to consider if 118 118 Money's checks were proportionate; if so, did it make a fair lending decision; if not, what would proportionate checks most likely have shown; and finally, did 118 118 Money act unfairly towards Mr N in some other way.

I've looked at the checks 118 118 Money carried out. It asked Mr N for his income, housing and living costs and checked these against reasonable averages. It carried out a credit

check to understand his credit history and existing credit commitments. From all its checks combined it concluded Mr N had enough monthly disposable income for this loan to be sustainably affordable.

I don't think these checks were proportionate. Given the term and value of the loan, and the number of new credit lines Mr N had opened in the last six months, I think 118 118 Money needed to better verify Mr N's income. But had it done so I think it could fairly have made the same lending decision.

I say this as Mr N declared net monthly income of £2,959 and I can see from his bank statements the average for the three months prior to application was £2,947. It was reasonable given the nature of the lending to rely on his declared expenditure of £1,056.10, sense checked against averages. The credit check showed Mr N had existing monthly credit commitments of £610.85 (not £366.10 as the lender calculated) so after taking on this loan Mr N would be spending around 25% of his net income on his commitments. I don't think this should have concerned 118 118 Money. And Mr N would be left with an ample monthly disposable income of £1,134.88.

Mr N has listed accounts that were in arrears or an arrangement to pay at the time. But these did not show on the results of the lender's credit check. That showed he had nine active accounts and a total debt of £13,316 that was well-managed. His credit utilisation was 47% which does not suggest he was dependent on credit. He did have some adverse data on his file – a CCJ registered in 2019 and settled that year too. But that was suitably historic and not a reason to decline this application. In the last 36 months he had not been beyond one month in arrears on any of his accounts.

Mr N also said he was reliant on his overdraft and almost always at the limit. But the lender's credit check showed he was not using it at the time he applied and had only relied on it twice in the last eight months, both times clearing it the following month, and at relatively low levels of £256 and £72.

I can only fairly expect 118 118 Money to respond to the data it saw on its credit check. There can be variances between a lender's check and the consumer's full file as not all lenders report to all the credit reference agencies and there can be timing lags.

The payday loans he listed were taken out after this loan so I cannot expect 118 118 Money to have considered them. I am sorry to hear Mr N went on to struggle financially, but it would not have been proportionate for 118 118 Money to carry out the depth of financial review needed (such as the suggested full review of bank statements) to possibly discover signs of strain at the time of this application.

It follows I don't find it was wrong for 118 118 Money to lend to Mr N.

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 Mr N 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.

My final decision

I am not upholding Mr N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 29 July 2025.

Rebecca Connelley
Ombudsman