

The complaint

Mr R complains that Madison CF UK Limited trading as 118 118 Money was irresponsible in its lending to him. Mr R wants the interest and charges refunded and all adverse information regarding the loan removed from his credit file.

What happened

Mr R was provided with a £1,500 loan by 118118 Money in January 2024. The loan term was 24 months, and Mr R was required to make monthly repayments of £107.52.

Mr R said that adequate checks weren't carried out before the loan was given and that he had a poor credit score at the time. He said other lenders had refused him credit and 118118 Money didn't ask for any proof of income. Mr R explained that he was gambling, and this combined with the high interest rate on the loan made managing his debts increasingly difficult.

118118 Money issued a final response to Mr R's complaint dated 4 February 2025. It explained that when Mr R applied for the loan he was asked about his income and expenditure, details of his personal circumstances and employment details. It then used industry standard tools to verify his income, along with information gathered from the credit reference agencies and third-parties to establish outgoings.

As part of 118118 Money's investigations into this complaint it reviewed the checks performed prior to approving his application. It said that while Mr R was using more credit than his available limit, he confirmed that the agreed monthly repayment was affordable. It noted some adverse data on Mr R's credit file but said that considering Mr R's disposable income and the absence of new adverse credit markers at the time of lending, it believed it had made a reasonable lending decision.

Mr R referred his complaint to this service.

Our investigator thought that 118118 Money had carried out reasonable checks before providing the loan. She noted that Mr R had a default recorded but that this was historic (recorded six years prior to the loan application) and said there wasn't any recent adverse information such as delinquencies or sustained arrears on active accounts. Our investigator considered the affordability information and found that based on Mr R's income and expenses he had around £794 of disposable income after the loan repayments which she found to be enough to show the loan repayments to be affordable.

Mr R didn't accept our investigator's view. He said that 118118 Money assumed he was in conventional employment, but he was self-employed, and he had taken time away from work due to his mental health. He explained he had been in receipt of benefits since 2021 including a contribution to his housing costs. He said his average net income was around £1,650. Mr R said his rent was £1,350 and his existing credit commitments were higher than 118118 Money recorded. He said he didn't have the disposable income that 118118 Money calculated and was operating with a monthly deficit. He reiterated that he was gambling at the time and said that while his credit file showed his accounts as up to date he had only

achieved this by borrowing from family and friends. Mr R said that proper verification of his circumstances didn't take place.

Our investigator responded to Mr R's comments. She noted Mr R's comment about his income but said that it was reasonable that 118118 Money relied on the information Mr R provided in his application. She also found it reasonable in this case that 118118 Money used industry standard tools such as the information it gained from the credit reference agencies to estimate Mr R's living expenses. Our investigator noted Mr R's comment about his gambling but said that there was no evidence that 118118 Money should have been reasonably aware of this at the time the loan was given. She also said that while Mr R had said the interest rate was high and the repayments unaffordable, the loan documents provided Mr R with the information he needed to understand the cost of the credit. Therefore, she didn't uphold this complaint.

Mr R didn't agree with our investigator's view and reiterated his concerns about the income and expenditure checks and said that 118118 Money had missed vulnerability indicators. He provided further evidence of his tenancy agreement and benefits.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a decision.

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.

Mr R raised a complaint about both a loan and a credit card provided by 118118 Money. This decision is about the loan; the credit card complaint is being dealt with separately. 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.

As part of the application process, Mr R was asked about his employment, residential status income and expenses. Mr R declared that he was self-employed with a monthly income of £2,313 and he was renting. Data from the credit reference agencies and other third-party data was used to assess Mr R's expenses. His monthly payments for his credit commitments were recorded as £254.33 and his rent and other outgoings were recorded as £417.27 and £740.16 respectively. This left disposable income after the 118118 Money loan repayments of around £793.72. A credit check was carried out which showed Mr R had an outstanding credit card balance which exceeded his credit limit and a historic default. However, given the default was recorded around six years prior to the application and Mr R appeared to be generally managing his existing commitments well (aside from the overlimit marker on a credit card), I do not find his credit file was such that the loan shouldn't have been given or that further checks were needed.

Considering the size of the loan and the repayments compared to Mr R's declared income, his calculated disposable income and the results of the credit check, I think the checks carried out before the loan was provided were proportionate.

However, just because I think the checks were proportionate, it doesn't necessarily mean that I think the loan should have been given. To assess that I have considered the information 118118 Money received through its checks to see whether this should have raised concerns that meant further questions should have been asked or the loan not given.

Mr R declared a monthly income of £2,313 and 118118 Money said it used industry tools to verify the declared income. I note Mr R's comment that he was self-employed and in receipt of benefits and that he thinks further verification of his income should have taken place and this would have shown a lower figure. I have considered this but note that 118118 Money was aware that Mr R was self-employed and, as I noted above, given the size of the loan and repayments compared to Mr R's declared income, I think the checks carried out were reasonable. Based on the information received, I do not think it unreasonable that 118118 Money relied on the income figure Mr R provided.

I have looked through the results of Mr R's credit check and not his total outstanding balances to be around £5,852. I do not think this suggested Mr R was over indebted at the time and the results showed that while there was some adverse information recorded, he was generally managing his existing commitments. I note Mr R's comment about him borrowing from friends and family to make his payments, but I do not find I can say that 118118 Money would have been aware of this, and I do not think his credit check results showed any serious signs of financial hardship.

Based on the credit check results, I find the amount included for Mr R's credit commitments of £254.33 was reasonable. Mr R has disputed the amount he paid for his housing but also provided information showing that a significant portion of his housing costs were covered by his benefits payments. Taking everything into account, and noting the disposable income remaining after the loan repayments, I do not find I can say there were signs that this loan might not be affordable for Mr R.

Mr R has said he was gambling at the time, and I am sorry to hear how this has affected him. But I do not find I can say that 118118 Money should have been reasonably aware of this and as I think the checks undertaken were reasonable, I do not find that further investigation was needed.

So, for the reasons set out above, I do not find that 118118 Money was wrong to provide the loan. While I acknowledge Mr R's comments about the high interest rate, information about the cost of the credit and the repayments was all provided in the loan documentation and had Mr R been unhappy after entering the agreement, he could have withdrawn within the first 14 days.

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 Mr R might have been viewed as unfair by a court 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.

While I am not upholding this complaint, given the information Mr R has disclosed about his current circumstances and his vulnerabilities, I would expect 118118 Money to take this into account and treat him positively and sympathetically when dealing with him.

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 3 November 2025.

Jane Archer
Ombudsman