

The complaint

Mr D complains that Madison CF UK Limited trading as 118 118 Money (118) was irresponsible in its lending to him.

What happened

In June 2023 Mr D took out a personal loan from 118. The loan was for £2,500 and Mr D was required to make 24 monthly payments of £181.42. In April 2025 Mr D made a complaint to 118. In summary, he stated that the loan should not have been given to him because it was unaffordable. He also made a number of complaints in relation to the activities of the debt purchaser of his loan. Mr D asked for all collection activity on his account to stop.

£750 compensation was also sought. In subsequent correspondence, Mr D indicated that this was because he was vulnerable when he applied for the loan and it should never have been given to him. As a consequence, the whole experience had had a detrimental impact on his mental health. I'm going to refer to this part of the complaint as redress for distress and inconvenience.

118 investigated Mr D's complaint and it was upheld in part. 118 accepted that its affordability checks had not been sufficient. They took steps to compensate Mr D. In summary, 118 agreed to treat all payments made to Mr D's loan account as repayments of the loan advance. If this resulted in Mr D having paid more than the loan advanced, any overpayments would be refunded along with 8% interest from the date of overpayment to the date of settlement. 118 stated that it had already begun the process of removing any negative entries on Mr D's credit file associated with his loan agreement. In the event, 118 had liaised with the debt purchaser who had removed all interest with just a capital balance for Mr D to repay. 118 did not uphold the part of Mr D's about redress for distress and inconvenience. In terms, it stated that Mr D had not made them aware of his vulnerabilities when he took out the loan. Had they been aware of this, their lending decision may have been different. Mr D was invited to provide any further evidence he might have about this.

Mr D referred his complaint to this service. Our investigator looked into the complaint. He was satisfied that the steps taken by 118 in relation to its affordability shortcomings were appropriate. In relation to the activities of the debt purchaser, our investigator noted that Mr D had referred other complaints to this service and these would be investigated separately. On the matter of the redress for distress and inconvenience, our investigator concluded that 118 would not have known about his vulnerability as there was no evidence that it had been made aware of it. The investigator considered that 118 could not be responsible for the impact on Mr D's mental health.

118 didn't dispute the investigator's view, but Mr D did. In summary, he reiterated the damage that had been caused to his mental health and his financial wellbeing. As an agreement hasn't been reached, the complaint has been passed to me to make 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.

Irresponsible lending

Both parties have agreed that the loan should not have been provided to Mr D at the outset. Our general approach to complaints about unaffordable or irresponsible lending is that we would require a lender to:

- Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied;
- If the rework results in a credit balance, this should be refunded to the customer along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. The lender should also remove all adverse information regarding this account from the customer's credit file;
- Or, if after the rework there is still an outstanding balance, the lender should arrange an affordable repayment plan with the customer for the remaining amount. Once the customer has cleared the balance, any adverse information in relation to the account should be removed from the customer's credit file.
- *If the lender considers that it is required by HM Revenue & Customs to deduct income tax from that interest, it should tell the customer how much it has taken off. It should also give the customer a tax deduction certificate if asked, so a reclaim of the tax can be made from HM Revenue & Customs if appropriate.
- In cases where a debt purchase has been made, the original lender should arrange to transfer any debt back to itself or liaise with the debt purchaser to ensure the redress set out above is carried out promptly.

I am satisfied that the redress made by 118 in relation to affordability is consistent with what is set out above and nothing further is required of it.

Distress and inconvenience

In relation to the redress sought for distress and inconvenience, I accept that Mr D will have found his experiences distressing and I acknowledge the impact it had on his mental health. However, the issue that I will focus on is whether 118 did anything wrong. 118 has stated Mr D did not tell them about his vulnerability when he applied for the loan. In subsequent correspondence, Mr D says that he disclosed this 'in principle if not with clinical language'. I asked Mr D to provide us with more information about this. In summary, Mr D told us that 118 was informed in 'general terms' about his vulnerabilities when he took the loan account. I also asked 118 about its processes for capturing this type of information. It told us that, if a vulnerability is disclosed and consent is given, a prominent note is entered on its systems where contact notes are stored. This service has since received the contact notes from 118 but I can't see any reference to his vulnerabilities recorded on them. I've also looked at the contact notes that were entered into in relation to a separate complaint that Mr D made about a credit card issued by 118. I couldn't see any reference on these separate notes to Mr D having disclosed a vulnerability.

I have thought about all of the evidence relating to this aspect of Mr D's complaint. I'm not persuaded that 118 was made aware of his vulnerabilities when he took out the loan. This is because I think the way in which Mr D says he told 118 about his situation is quite vague. Additionally, there is no evidence or record on 118's systems that indicate that it was told

about Mr D's vulnerabilities as its processes would require. Whilst I appreciate that all of this has taken its toll on Mr D, I'm not upholding this aspect of his complaint.

Other aspects of Mr D's complaint

Mr D had raised a number of other issues when he originally made his complaint to 118. Before making a decision, I asked our investigator to clarify what the outstanding issues were.

Regulatory breach at the point of lending and related distress and harm

This has been accepted by 118 but, as mentioned above, I believe that the steps taken by it are what this service would reasonably expect in these circumstances. Mr D has also raised the related issue about the distress and harm that he experienced before 118 admitted that its lending had been irresponsible. I accept that Mr D has been put to some inconvenience in bringing his complaint and had no doubt found it stressful. However, I think, in all the circumstances, the redress carried out by 118 is a fair outcome.

Assignment of loan to debt purchaser

Mr D remains unhappy that 118 sold the debt to a third party. 118 has provided this service with a copy of the terms and conditions of his credit agreement. These terms specifically provide 118 with the right to transfer its rights and duties under the credit agreement to another person or entity. As a result, I can't find that 118 has acted unfairly here.

The activities of the debt purchaser

Mr D has raised a number of issues about the activities of the debt purchaser, its related debt collection agent together with other concerns relating to data protection matters. Whilst I appreciate that Mr D is unhappy about how his loan account has been managed throughout, this decision can only relate to the activities of 118. I've checked our systems and I can see that Mr D has raised separate complaints with us about the activities of these third parties. Those complaints will be investigated separately.

Failure to suspend collection activity after 118 accepted its affordability checks were insufficient

In its Final Response Letter of June 2025, 118 confirmed that it would liaise with the debt purchaser to carry out the above redress. 118 stated that if there was a capital balance on the account, it would expect that an affordable repayment plan is agreed with the debt purchaser to repay any capital balance outstanding. This is what this service would reasonably expect. As I mention above, I can see that Mr D has made separate complaints about the debt purchaser, including its collection activities, which will be considered separately. This isn't something that I can hold 118 responsible for.

Data accuracy and processing concerns on a loan which should not have been approved

I appreciate that Mr D remains unhappy that third parties continue to act on an agreement that 118 now accepts should not have been entered into. I can't comment specifically on the data processing activities of the debt purchaser and its agents because this decision can only relate to the activities of 118. However, in the scenario where a capital balance remains on the account after redress has been carried out, it would still be the case that the account would need to be managed by the holder of the debt until the capital balance is repaid. But, in any event, I still can't hold 118 responsible for the activities of these third parties.

Correction and/or deletion of records held by the debt purchaser and its agent

As I mention above, this decision can only relate to the activities of 118. I can see that in Mr D's separate complaints he reiterates his unhappiness at what has since happened since his debt was sold. I can't comment specifically on how third parties have processed his account and the accuracy of data on their systems. However, 118 has confirmed to this service that in June 2025 it requested the removal of any adverse information on his credit file relating to this account. It also requested the debt purchaser do the same in June 2025. I hope that this provides Mr D with some reassurance.

In reaching my conclusions, I've also considered whether the lending relationship between Mr D and 118 might have been unfair to Mr D under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied that the steps taken by 118 in partially upholding his original complaint has resulted in fair compensation for Mr D given the overall circumstances of his complaint. For the reasons I've explained, I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

My final decision

I appreciate that it will come as a disappointment to Mr D, but I'm not upholding his complaint. I believe that 118 has done enough to put matters right and nothing further is required of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 23 March 2026.

John Butler
Ombudsman