

## **The complaint**

Mr T complains that Madison CF UK Limited trading as “118118 Money” irresponsibly provided him with a credit card.

## **What happened**

118118 Money provided Mr T with a credit card in January 2021 with a limit of £1,200. I understand the credit limit wasn't increased.

Mr T complained to 118118 Money. In summary, he said 118118 Money were irresponsible to provide him with credit when he had a poor credit history. He said he was also taking out payday loans at that time. Mr T said 118118 Money ought to have realised he was having difficulties paying because of the late payment charges being added to his account. He also said that every month he'd make small payments towards the balance on his card but then send money back to his bank account using “pay-send”. Mr T says he borrowed from family members and took out a loan to pay the balance off but then maxed out his credit again within a few weeks due to his financial struggles. He said the situation is causing him great stress and anxiety.

In its final response, 118118 Money didn't uphold Mr T's complaint. In summary, 118118 Money said its checks were proportionate and the lending affordable. Also, although it saw Mr T had several defaults, it considered these historic and found that Mr T didn't have a recent history of poor credit. Mr T didn't agree and so referred his complaint to our service.

Our Investigator didn't uphold the complaint. In summary, they said the checks 118118 Money carried out were proportionate and the lending fair. They also said 118118 Money treated Mr T fairly when he was having difficulty making payments on the account and after disclosing information about his health.

118118 Money didn't respond and Mr T didn't agree. In summary, he said he clearly wasn't in a position to be given more lending. And that, in addition to the defaults and CCJs, he was in an arrangement to pay for his water bill at the time of lending, which he says he failed to pay.

The Investigator responded to say, in summary, that it's not unusual for historic adverse credit markers to carry less weight when assessing affordability, the arrangement to pay on the water bill wasn't showing on 118118 Money's checks, Mr T's debt to income ratio was around 34% which doesn't suggest further lending would be unaffordable. The Investigator highlighted the absence of recent missed payments or defaults. They also said 118118 Money could add charges and interest in line with the agreement or regulations.

Mr T didn't agree and requested an Ombudsman consider his complaint.

Because the parties couldn't agree, the matter was passed to me to decide.

I issued a provisional decision where I said:

*“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 T’s complaint.*

*Having carefully considered everything provided, I intend to uphold Mr T’s complaint in part – and I’ll explain why.*

*118118 Money needed to make sure it didn’t lend irresponsibly. This means it needed to carry out proportionate checks to understand whether Mr T could afford to repay before providing the credit card. Generally, it might be reasonable and proportionate 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 it didn’t continue to lend to its customer irresponsibly.*

*When Mr T was provided with the credit card, 118118 Money was required to understand whether Mr T could sustainably repay the full amount it was prepared to lend within a reasonable period of time.*

*With all this in mind, at the time of lending, in summary, 118118 Money’s checks showed:*

- Mr T declared he was employed full-time, earning a net monthly income of £3,097. Mr T hasn’t disputed he was earning this and I understand 118118 Money verified Mr T’s earnings via credit bureau data.*
- Mr T said he had “0” expenditure for every question about outgoings on the application, from housing costs to bills and credit commitments. Therefore 118118 Money applied figures of around £420 for rent, other outgoings around £688 and repayments towards credit commitments around £242. It calculated Mr T had a disposable income of around £1,748. Using a repayment figure of £84 for this new credit card lending, it estimated Mr T would still have around £1,664 in disposable income.*
- Mr T had an external revolving credit balance of £510 and a loan or installment credit balance of £179. Mr T’s overall external debt (which I understand to include defaults), was around £12,240.*
- Mr T had two active County Court Judgments (“CCJs”) with judgment dates of 11 August 2016 and 15 August 2018. The total value of active judgments was £876.*
- Mr T didn’t have any recorded Individual Voluntary Arrangements (IVAs) or bankruptcies.*
- Mr T had two defaults in the last 36 months.*
- Mr T hadn’t opened any accounts in the last 12 months.*

*I recognise that Mr T’s main argument for this lending being irresponsible is that he had a history of mismanaging credit and there was a high risk he’d go on to do the same with further lending. I can see from 118118 Money’s credit checks that Mr T did have 13 defaults showing, with total outstanding balances of around £12,243. And two active CCJs with a total balance of £876. Mr T also says he was in an arrangement to pay for his water bill at the time of lending – so he was having difficulty paying his current commitments too.*

*On the other hand, the defaults had happened some years earlier – between 2015 and 2018. That isn't to say I'm disregarding them. But when I consider what was showing on 118118 Money's checks, Mr T had a low existing credit balance, and he appeared to be managing his recent credit well. I've seen evidence of the arrangement to pay for Mr T's water bill, so I don't doubt what he's said about this. But crucially, it wasn't showing on 118118 Money's checks. So, I don't think it could have known about it. With all this in mind, I think it's fair to say 118118 Money's checks suggested the issues Mr T had in relation to paying credit previously, not only happened some years earlier, but also were not a reflection of his current circumstances.*

*I can't say for sure why Mr T's arrangement to pay wasn't showing on the checks 118118 Money carried out. But there are three Credit Reference Agencies ("CRAs"), not all lending is reported to all three and lenders aren't obliged to check all three before lending. In any event, I've seen evidence of 118118 Money's checks, and I'm satisfied this information wasn't visible to it at the time of lending. I also don't think there was anything else about Mr T's application which ought to have alerted 118118 Money that Mr T may in fact be in arrears currently and so I'm satisfied it was entitled to rely on the information it saw.*

*118118 Money asked Mr T about both his income and expenditure at the time of lending. Given Mr T entered zero for his outgoings, I think it was reasonable that 118118 Money then relied on estimates based on statistical and credit bureau data in order to assess the affordability of this lending. These affordability checks showed Mr T had a large disposable income and therefore suggest this lending was affordable, leaving sufficient disposable income for any unforeseen circumstances.*

*I'm aware Mr T will feel this doesn't reflect the reality of his situation and I accept that may well be the case. But I have to consider whether 118118 Money did enough to check this lending was affordable and, based on what it saw, whether it then lent responsibly. It asked Mr T about his income and expenditure and carried out a credit check – all of which, as I've explained above, suggests the lending was affordable and that Mr T wasn't overindebted relative to his income and had in recent years, been managing existing credit well. Put simply, if 118118 Money wasn't or couldn't have been aware that Mr T was in fact overindebted or having issues with his current credit, then I can't say it's done anything wrong. And, in the circumstances of this case, I don't think 118118 Money lent irresponsibly.*

*So taking into account the limit being provided, Mr T's income, total level of borrowing, including the balances still owed on defaults and CCJs and how he'd been managing existing borrowing, it seems likely Mr T would have been able to sustainably repay the full amount 118118 Money was prepared to lend within a reasonable period of time.*

*So I'm satisfied that when providing the credit card with a limit of £1,200, the checks 118118 Money carried out were proportionate in the circumstances and it wasn't wrong for it to have lent.*

*Has 118118 Money acted unfairly in any other way?*

*Mr T has also said 118118 Money ought to have realised sooner that he was having problems managing his account.*

*Lenders should treat customers who are in financial difficulty 'with forbearance and due consideration' – or put simply, fairly. Lenders are also obliged to be proactive about this and not necessarily wait for borrowers to tell it that they're having difficulty paying. So, I've reviewed how Mr T managed his account after being given the lending.*

*I can see Mr T immediately used almost all of his limit in February 2021, the first statement month after being provided with the credit. He also missed the first payment required on the account because his direct debit was returned and he failed to make a manual payment. By March 2021's statement, he'd exceeded his credit limit and failed to make the minimum payment required due to his direct debit being returned for a second time – and although he made a manual payment, it was below the minimum required. By the next statement month, in April 2021, Mr T was still exceeding his credit limit and again, although he makes a payment, it falls short of the minimum required. Mr T continued to exceed his credit limit in May 2021 and again made a payment, but below the minimum required.*

*This pattern of mismanaging his account continued much in this way until around December 2021, at which point Mr T brought the account back within its limit. However, by January 2022, Mr T had failed to make a minimum payment and exceeded his limit again. Throughout the lifetime of this account, for almost every statement month, Mr T either missed a payment or didn't meet the minimum payment - or went over his limit. Many months he both had problems paying and went over or remained above his limit. So overall, it's fair to say he has not managed his account well. But it wasn't until February 2025 that 118118 Money agreed to freeze fees and interest, after Mr T had explicitly told them he was having problems maintaining his account.*

*However, I think 118118 Money ought to have realised this sooner. I'm satisfied that no later than June 2021, 118118 Money ought to have stepped in and treated Mr T with forbearance based on how he'd been managing his account from the offset. By this point, Mr T had been in payment arrears for around three statement months with a balance in excess of his limit every month - and hadn't made a single payment that met the minimum required. So, in the circumstances of this case, I think it ought to have already been clear to 118118 Money that Mr T wasn't managing his account well and was having difficulties making payments. Based on how he was managing the account, there were clear signs of financial difficulty that I'm satisfied 118118 Money failed to act upon. Whilst 118118 Money did attempt to contact Mr T during this time, it allowed Mr T to continue spending on the account, incurring interest and fees. I don't therefore think 118118 Money has acted fairly and reasonably here.*

*So, I'm satisfied 118118 Money ought to have stepped in by June 2021, by freezing interest and charges, to prevent Mr T incurring any further loss.*

### Putting things right

*For the reasons I've explained, I'm currently minded to uphold Mr T's complaint in part.*

*To put things right, I intend to say 118118 Money should:*

- *Rework the account, removing all interest, fees and charges (not already refunded) added from June 2021.*
- *If the rework results in a credit balance, this should be refunded to Mr T along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. 118118 Money should also remove all adverse information recorded from June 2021 regarding this account, from Mr T's credit file.*
- *Or, if after the rework there is still an outstanding balance, 118118 Money should arrange an affordable repayment plan with Mr T for the remaining amount. Once Mr T has cleared the outstanding balance, any adverse information in relation to the account recorded from June 2021, should be removed from Mr T's credit file.*

*\*HM Revenue & Customs requires 118118 Money to deduct tax from any award of interest. It must give Mr T a certificate showing how much tax has been taken off if he asks for one.*

*Finally, I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Mr T in the circumstances of this complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case."*

Mr T agreed with my provisional decision but 118118 Money didn't. In summary, it said:

- It didn't agree that it wasn't proactive in its attempts to contact Mr T when payments were missed, or when payments were made below the minimum payment required, because it sent a number of SMS text messages to Mr T.
- It sent a payment reminder on 1 March 2021 to Mr T, and when this payment wasn't made, it sent a further text on 8 March 2021, which said: *"If you cannot afford the payment, click on the chat icon at 118118money.com and we will help you."* However, Mr T didn't respond to these communications.
- Mr T initiated contact with 118118 Money in September 2022 following a text from it about helping to clear the arrears on his account although Mr T became unresponsive and the chat closed. 118118 Money says this shows Mr T was aware of the available communication channels but didn't raise any financial concerns or disclose any vulnerabilities until February 2025.
- 118118 Money also sent collections communications via email which it says demonstrates it proactively reached out to Mr T via multiple communication channels. Also, it frequently contacted Mr T to attempt to provide support.
- As Mr T continued to make payments towards the account, 118118 Money didn't report any missed or late payments and therefore his credit file wasn't negatively impacted. Also, no fees were applied until after March 2023.
- Ultimately, because payments were being made and Mr T didn't respond to the offers of support from 118118 Money, it says no further internal processes were triggered.
- The account was not at a stage where a default or debt assignment was imminent. Therefore, 118118 Money wouldn't automatically freeze interest or block the card after a missed payment or a payment made below the minimum. As doing so without first speaking to Mr T may not be in his best interests as he may need available funds for essentials.

## **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.

Having done so, and having carefully considered 118118 Money's further points, I'm satisfied this complaint should be upheld in the way I set out in my provisional decision – and I'll explain why.

118118 Money will be aware of its obligations as a lender when it comes to exercising forbearance. Mr T didn't need to explicitly tell 118118 Money he was in financial difficulty here. Instead, I've said 118118 Money needed to step in because it was clear from the way Mr T's account was being managed that he was having financial problems.

Irrespective of whether 118118 Money reached out to Mr T, it allowed him to continue spending on this account – and for the reasons explained, I don't think it should have done. To prevent things from getting worse for Mr T and to ensure 118118 Money didn't benefit from what was happening, it should have stopped Mr T from continuing to use the account. Although it says it didn't apply any charges until 2023 and it didn't record negative information on Mr T's credit report, 118118 Money continued to charge interest on balances which were higher than they otherwise would have been, as a result of Mr T's failure or delay to pay. So, Mr T experienced a detriment as a result of being allowed to continue to use this account, even before charges were eventually applied.

Therefore, as I've said in my provisional decision, given Mr T managed his account so poorly immediately after opening it, I'm satisfied that 118118 Money ought to have stepped by June 2021, by freezing interest and charges, to prevent Mr T incurring any further loss.

I therefore uphold this complaint.

## **Putting things right**

To put things right, 118118 Money should:

- Rework the account, removing all interest, fees and charges (not already refunded) added from June 2021.
- If the rework results in a credit balance, this should be refunded to Mr T along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. 118118 Money should also remove all adverse information recorded from June 2021 regarding this account, from Mr T's credit file.
- Or, if after the rework there is still an outstanding balance, 118118 Money should arrange an affordable repayment plan with Mr T for the remaining amount. Once Mr T has cleared the outstanding balance, any adverse information in relation to the account recorded from June 2021, should be removed from Mr T's credit file.

\*HM Revenue & Customs requires 118118 Money to deduct tax from any award of interest. It must give Mr T a certificate showing how much tax has been taken off if he asks for one.

Finally, I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Mr T in the circumstances of this complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

**My final decision**

For the reasons explained, I uphold this complaint and direct Madison CF UK Limited trading as 118118 Money to put things right for Mr T, as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 2 January 2026.

Sophie Kyprianou  
**Ombudsman**