

The complaint

Mr S complains that Madison CF UK Limited trading as 118 118 Money irresponsibly lent to him.

What happened

Mr S was approved for a 118 118 Money credit card in March 2021, with a £1,200 credit limit. Mr S says that 118 118 Money irresponsibly lent to him. Mr S made a complaint to 118 118 Money, who did not uphold his complaint. 118 118 Money said that proportionate checks were completed, and the credit limit was likely affordable for him. Mr S brought his complaint to our service.

Our investigator upheld Mr S' complaint. He said that Mr S was financially struggling, so 118 118 Money should not have approved the credit for him. 118 118 Money asked for an ombudsman to review the complaint. They said that they believed Mr S missed a payment in January 2021 on an external account, but in February 2021, Mr S made a payment, but as he missed January 2021's payment the status remained as a "1" on his credit file, as opposed to the account being in arrears by two months.

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.

Before agreeing to approve the credit available to Mr S, 118 118 Money needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks 118 118 Money have done and whether I'm persuaded these checks were proportionate.

118 118 Money said they completed a credit check with a Credit Reference Agency (CRA) and they used information that Mr S had provided before approving his application. The information showed that Mr S declared he was employed, and he declared a net monthly income of £1,800.

The CRA reported that Mr S had defaulted on accounts, with the last default being 2018. It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what other checks 118 118 Money made to see if they made a fair lending decision.

The CRA that 118 118 Money used reported that Mr S had over £12,000 of active unsecured debt. 118 118 Money completed an affordability assessment which included a mixture of information that Mr S had given them, information from the CRA they used, and modelling. The affordability assessment showed that Mr S should be able to afford sustainable

repayments for the £1,200 credit limit.

But the CRA also reported that Mr S had been in arrears for two months in a row. While 118 118 Money are correct to say that the arrears weren't building over the two months and they weren't showing a "2" status, the fact remains he had been one month in arrears for two consecutive months. So this could have been a sign of financial difficulty, and I'm persuaded that this should've prompted further checks to make sure that the repayments for a £1,200 credit limit were affordable and sustainable for Mr S.

There's no set way of how 118 118 Money should have made further proportionate checks. One of the things they could have done was to contact Mr S to ask him why he was currently in arrears on an external account, and to ensure he had enough disposable income in order to make affordable and sustainable repayments for a £1,200 credit limit. Or they could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.

Mr S has provided his bank statements leading up to this lending decision. He has also provided his savings statements leading up to this lending decision. The savings statements show that his savings account is barely used and credits are typically cancelled out by debits.

Mr S' bank statements show financial difficulty on the statements. I say this as there is a returned direct debit. But the main thing I noticed is that there was no salary crediting the bank account. I must make it clear to 118 118 Money that there were no signs of any external bank accounts Mr S had – and to make sure of this I cross-referenced this with the CRA information 118 118 Money had – which only shows one active bank account for him at the time of the checks.

I asked Mr S about his salary credits as he had declared he was employed full time on his application. Mr S told me that he wasn't working during this period, so he was unable to show money crediting the account apart from money from his wife to pay for his car insurance and other debts debiting his bank account. I can confirm that the credits from his wife just show as a sole name on the statements (and this is in line with the CRA reporting Mr S only had one active bank account at the time).

So if 118 118 Money had requested Mr S' bank statements as part of a proportionate check, it would appear that he didn't have any income in order to make sustainable and affordable repayments for a £1,200 credit limit. So I'm not persuaded that 118 118 Money made a fair lending decision here.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed at the end of this decision results in fair compensation for Mr S in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Our investigator has suggested that 118 118 Money takes the actions detailed below, which I think is reasonable in the circumstances. In addition to this, if 118 118 Money do not own the debt anymore for the account, then they should also transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly.

My final decision

I uphold this complaint. Madison CF UK Limited trading as 118 118 Money should take the following actions:

118 118 Money should arrange to transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly;

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 Mr S along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. 118 118 Money should also remove all adverse information regarding this account from Mr S' credit file;

Or, if after the rework there is still an outstanding balance, 118 118 Money should arrange an affordable repayment plan with Mr S for the remaining amount. Once Mr S has cleared the balance, any adverse information in relation to the account should be removed from Mr S' credit file.

**If 118 118 Money considers that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mr S how much they've taken off. They should also give Mr S a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.*

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 21 April 2026.

Gregory Sloanes
Ombudsman