

complaint

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

background

Mr D took three loans with 118 118 Money. He says he believed 118 118 Money did enough before lending loan 1 but complains that it shouldn't have lent him loans 2 and 3. One of our adjudicator's looked at the complaint and thought that 118 118 Money shouldn't have lent loan 2 but didn't recommend that loans 1 and 3 should be upheld.

From the information we hold on file, the loans were as follows:

| Loan number | Start date | Loan amount (£) | Term | Repayment amount (£) | End date |
|-------------|------------|-----------------|-----------|----------------------|-------------|
| 1 | 07/09/2015 | 3,000 | 24 months | 233.40 | 12/05/2016 |
| 2 | 12/05/2016 | 3,296 | 24 months | 253.20 | 01/09/2016 |
| 3 | 09/10/2018 | 3,000 | 24 months | 235.09 | Outstanding |

Mr D disagreed saying he wasn't in a position to sustainably repay loan 3. 118 118 Money agreed with the adjudicator's opinion and offered redress on loan 2.

There are no continuing disputes about loans 1 and 2 and so I've focused my decision on loan 3.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Before lending money to a consumer, a lender should take proportionate steps to understand whether the consumer will be able to repay what they're borrowing without it significantly adversely impacting on their financial situation.

There was a gap of more than two year between when Mr D repaid loan 2 and when he was lent loan 3. 118 118 Money agrees that it didn't carry out sufficient checks before lending loan 2, the adjudicator found that had 118 118 Money carried out sufficient checks, it's likely to have found that Mr D was gambling excessively at the time. But as 118 118 Money didn't carry out enough checks, it was unaware of Mr D's gambling from loan 2.

118 118 Money searched Mr D's credit file and asked him about his income and expenditure before lending loan 3. The result of 118 118 Money's search of Mr D's credit file shows that he had active defaults – two recorded in 2013 and another 2 in 2014. Mr D also had a recently delinquent account within the last 12 months with a balance of around £5,490. Mr D was also in arrears on his credit card payment Mr D declared his monthly income as £2,200 and his regular living costs including regular credit commitments were around £980.

I think given what 118 118 Money saw on Mr D's credit file and the length of time he would have been committed to repaying this loan, 118 118 Money should have taken its checks further to get a clear picture of Mr D's financial circumstances. It would have been reasonable for 118 118 Money to independently verify some of the information Mr D provided.

Mr D has provided copies of his bank statement from the time. I've placed considerable weight on the evidence on Mr D's bank statement around September 2018 as I think this is what 118 118 Money would likely have seen. I don't think it's likely to have seen transaction in October 2018 before agreeing to lend loan 3. From what I can see, Mr D's income in September 2018, was £2,732.19, more than he had declared to 118 118 Money from what I can make it seems Mr D's normal living costs and regular credit commitments were around £1,000, this included things like rent, utilities and food. I can also see from the credit file that Mr D was around £337 to other creditors. The bank statements also show that Mr D had gambling transactions of around £395. This suggests that Mr D could afford the loan.

Mr D disagrees with the finding that this loan wasn't wrongly lent saying that he was still gambling and there were several gambling transactions on his bank statements. Mr D also says within a few days of receiving his wages, his account balance was £0.05 and so he couldn't sustainably repay the loan.

I've thought carefully about Mr D's submissions and I'm mindful of 118 118 Money being unaware of his gambling around the time of loan 2. I'm also mindful that there was more than a two-year gap between when Mr D repaid loan 2 and when he requested loan 3. These factors taken together wouldn't have put 118 118 Money on notice that he'd been gambling significant sums in the past and that his financial circumstances hadn't improved.

While Mr D's gambling transactions for the relevant month here was low and within Mr D's scope to afford the loan, I've also considered Mr D's gambling in the two months before the loan to see if there was a concerning pattern of excessive gambling 118 118 Money should have been aware of. In the three months before the loan was approved, Mr D spent around £853 and £550 in July and August respectively. Given that Mr D's regular expenses remained roughly the same in this period and his income was between £2,293 and £2,732, I don't think the pattern here was excessive to the point that 118 118 Money should have concluded that he couldn't afford the loan.

I appreciate that my findings are likely to disappoint Mr D as it appears, he feels strongly about this loan but based on the information 118 118 Money would likely have seen, I don't think it was wrong to lend loan 3 in the circumstances. I hope my explanation will go some way in helping Mr D understand why I've reached these conclusions.

putting things right – what 118 118 Money needs to do

To put things right for Mr D, 118 118 Money should:

- refund all the interest and charges applied as a result of loans 2; and
- add interest at 8% simple per year on the above interest and charges from the date they were paid, if they were, to the date of settlement*;

- if there's still an outstanding balance on loan 3, 118 118 Money may offset the outstanding balance from the settlement above and agree a suitable payment plan for loan 3 if required.
- remove any adverse information recorded on Mr D's credit file as a result of the interest and charges on loan 2.

* HM Revenue & Customs requires 118 118 Money to take off tax from this interest. 118 118 Money must give Mr D a certificate showing how much tax it's taken off if he asks for one.

my final decision

I uphold Mr D's complaint in part and require Madison CF UK Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 16 March 2021.

Oyetola Oduola
ombudsman