

## **complaint**

Mr M complains that Madison CF UK Limited (trading as 118118 Money) mis-sold him a loan he couldn't afford.

## **background**

In April 2016 Mr M borrowed £2,500 from 118118 Money. This was to be repaid in 24 monthly instalments of just under £200, paid by direct debit. But after making the first five payments, he asked his wife to pay off the loan for him, at a time when she had given or was about to give birth and he was the main provider for his family.

Mr M says that he could not afford the loan, and it should not have been sold to him. He says this should have been apparent to 118118 Money from his credit file. This showed he'd had a default in 2011, and he had over £14,000 of other debts, including some other recent loans. He also says he has a gambling addiction.

118118 Money did not accept that the loan was mis-sold. It said that it had verified with Mr M that the loan was affordable, and had spoken to him on the phone to confirm that he believed he could afford it and was not expecting any change in his circumstances. It had checked his credit file, and his income and expenditure, which had led it to conclude that he could afford the monthly repayments. Being dissatisfied with that answer, Mr M complained to our Service.

Our adjudicator did not uphold this complaint. She said that Mr M had declared a disposable income of £1,500 a month, which should have been enough to make repayments of £200 a month. She noted that Mr M did have other debts which 118118 Money would have seen on his credit file, including a loan in January 2016 on which he had to repay £222 a month, but she thought that his declared disposable income would still be enough to meet those commitments as well as this loan. The defaulted loan had been settled in September 2015, and had not been for a large balance in the first place (£338). His credit file also showed a generally good credit history, since there were many loans which had been settled. So she decided that his credit file contained nothing which should have warned 118118 Money that Mr M could not afford the loan. He had taken out another, larger loan in May 2016, but as that was after the loan from 118118 Money, it could hardly have been expected to take that into account. And he hadn't had to repay the loan after five months, since the loan had been intended to last two years. She didn't think his gambling was a reason to withhold a loan from him, since his bank account had always been in credit, and his disposable income had been enough for him to afford the loan repayments.

Mr M asked for an ombudsman's decision, so this complaint has been referred to me.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I agree with our adjudicator, and for broadly the same reasons as she gave, that this complaint should not be upheld. I will explain why.

When Mr M applied for the loan, he told 118118 Money that his income was £2,200 a month. His bank statements appear to bear this out. He said his outgoings were £700 a month, which would have left him with a disposable income of £1,500 a month. That is considerably

more than the £200 monthly repayments he had to make on this loan, and the £222 a month due on the January loan.

Mr M did not include other loans in his outgoings. The outgoings were broken down into categories, one of which is “other loans,” and Mr M has entered “£0.” That has given me some pause for thought, because that information is contradicted by his credit file, which as I have said records over £14,000 of other debts. That does suggest to me that 118118 Money should have done more to verify what Mr M had told it – even though it did later confirm the information he had provided in a phone call.

This may be an error by 118118 Money. But I would only consider such an error to be a reason to uphold this complaint if I thought the loan was not affordable, and I do not accept that it was. I think this because Mr M’s bank statements show that he could still afford the monthly repayments. So the error (if it is an error) was harmless, because if 118118 Money had known about the other loans, it could still have reasonably concluded that Mr M could afford the loan. And I say “if it is an error” because 118118 Money did check his credit file, and so it would have seen the other debts recorded there. So I am unable to exclude the possibility that it did still take them into account. It’s not necessary for me to determine whether it did so or not, since that question does not affect the outcome of this complaint.

The default was a long time ago, was for a small balance, and had been settled seven months before Mr M took out the loan. So I don’t think that was sufficient reason to deter 118118 Money from lending to Mr M.

118118 Money didn’t know about Mr M’s gambling habit. But his bank statements show that his account was always in credit, and I think he could still afford to pay £200 a month. There is no rule that says that lenders must never lend to gamblers – they may do so, as long as the repayments are affordable, which I’m satisfied they were.

It was Mr M’s choice to ask his wife to settle the loan early. I don’t think that that was irrational, since it saved him over £1,300 in interest he would otherwise have had to pay. But he had the option of paying the loan over the full 24 months if wanted to. While that would have been more expensive in the long run, he didn’t have to ask his wife to contribute her savings to pay it off early. The fact that he did is not, in itself, evidence that he could not afford it.

### **my final decision**

So my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr M to accept or reject my decision before 27 April 2018.

Richard Wood  
**ombudsman**