

Complaint

Mr M's complained about two personal loans Madison CF UK Limited (trading as "118 118 Money") provided to him in May 2017 and March 2018. He says the loans were unaffordable and he already had a number of payday loans elsewhere at the time.

Background

When it provided its file of papers on the complaint, 118 118 Money agreed it shouldn't have provided Mr M with a second loan in March 2018. And it agreed to put things right in the way that we normally would when we uphold complaint. But 118 118 Money didn't think it had done anything wrong, or treated Mr M unfairly, when providing loan one in May 2017.

As 118 118 Money agreed to put things right in the way we'd normally do when we uphold a complaint about irresponsible lending, we didn't look at whether loan two was fair and reasonably provided. Instead we simply considered whether 118 118 Money treated Mr M fairly and reasonably when providing him with loan one.

One of our adjudicators reviewed what Mr M and 118 118 Money had told us. And she didn't think that 118 118 Money shouldn't have provided loan one. So she didn't uphold Mr M's complaint about loan one.

Mr M disagreed with our adjudicator and asked for an ombudsman to look at his complaint.

My findings

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/irresponsible lending on our website. And I've used this approach to help me decide Mr M's complaint.

118 118 Money needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr M before providing it. Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – 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 that it didn't continue to lend to a customer irresponsibly.

Having carefully thought about everything I've been provided with, I think that what 118 118 Money has already agreed to do to put things right for Mr M is fair and reasonable in the circumstances of his complaint. I'd like to explain why in a little more detail.

Loan one was provided to Mr M in May 2017. This loan was for £1,250.00 in and was due to be repaid in 24 monthly instalments of £96.67. The loan was repaid in March 2018 using some of the proceeds Mr M was provided with for loan two.

118 118 Money said it agreed to Mr M's application after he'd provided details of his monthly income and expenditure and it carried out a credit check. It says the information it gathered on Mr M suggested that he'd be able to make the monthly payments. So in these circumstances it was reasonable to lend. On the other hand Mr M 118 118 Money should have seen that his existing debts meant that he shouldn't have been lent to.

I've carefully thought about what Mr M and 118 118 Money have said. The information provided does suggest that Mr M was asked to provide details of his income and expenditure. And it does look like the information obtained, on paper at least, suggested Mr M could make his monthly repayments.

That said, I can see that there were a couple of accounts on Mr M's credit file which probably could have and should have been probed further. And I think that 118 118 Money ought to have explored this. But I don't know what any further probing, of Mr M's circumstances, would more likely than not have uncovered because, despite being asked to do so, Mr M hasn't provided us with anything to support what his financial circumstances were like, at the time. And bearing in mind the relatively small amount of the monthly payment, I don't think the information on the credit check 118 118 Money itself carried out, show that loan one was demonstrably unsustainable for Mr M.

Overall I'm afraid that I simply don't have enough here to say 118 118 Money probing Mr M's financial circumstances further would more likely than not have shown that loan one shouldn't have been provided to Mr M. As this is the case, I'm not upholding Mr M's complaint about loan one and I'm satisfied what 118 118 Money has already agreed to do to put things right for Mr M is fair and reasonable in all the circumstances of his complaint.

I appreciate this will be very disappointing for Mr M. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

My final decision is that what Madison CF UK Limited has already agreed to do to put things right for Mr M is fair and reasonable in all the circumstances of his complaint. So I'm not requiring it to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 April 2020.

Jeshen Narayanan
ombudsman