

complaint

Mr S entered into a 12 month fixed term loan agreement in December 2014 with Madison CF UK Limited (trading as 118 118 Money). He complains that 118 118 lent to him irresponsibly. He wants this loan to be removed from his credit file, and all interest charged to be refunded.

background

The background to this complaint, and my initial conclusions, were set out in my provisional decision dated 8 August 2017 – a copy of which is attached and forms part of this final decision. In my provisional decision, I explained why I thought the complaint should not be upheld.

118 118 responded, agreeing with my provisional decision. Mr S did not respond.

my findings

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. In the absence of arguments or evidence to the contrary, I continue to think that the settlement set out in my revised provisional decision is appropriate.

my final decision

For the reasons explained above, my final decision is that I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 6 November 2017.

Roy Mawford
ombudsman

COPY OF PROVISIONAL DECISION
8 August 2017

complaint

Mr S entered into a 12 month fixed term loan agreement in December 2014 with Madison CF UK Limited (trading as 118 118 Money). He complains that 118 118 lent to him irresponsibly. He wants this loan to be removed from his credit file, and all interest charged to be refunded.

background

Mr S completed repaying his loan in December 2015. He wrote to 118 118 in January 2017, saying:

- He had been struggling with a gambling illness when he applied for his loan, which would have been confirmed by looking at his bank statements and credit file at that time
- But 118 118 decided to overlook the large amount of payday loans he had entered into, and contributed to his problem by sinking him further into debt
- He wanted compensation because 118 118 had lent to him irresponsibly

118 118 responded in March 2017, saying:

- It received information from Mr S about his income and expenditure, when he applied for his loan – but it thought his total expenditure figure was too low
- It reviewed his credit file, and increased his total expenditure figure by a little under 250%
- Based on this increased figure and the other information it had obtained, it concluded that his loan would be affordable – it also noted that the reason given by Mr S for the loan was to consolidate his borrowing
- In addition, it conducted a telephone interview with Mr S to confirm that the loan would be affordable
- It was satisfied that it acted correctly in approving his application, and so it was unable to uphold his complaint

Mr S then referred his complaint to us. Our investigator thought it should be upheld, saying:

- Following the checks carried out by 118 118, it would have been evident that Mr S had successfully applied for a significant number of short term loan in the two months prior to his application – and so it should have investigated Mr S's financial situation further
- Had 118 118 done so, it would have found large volumes of on-line gambling transactions
- Because of this, she shared Mr S's view that 118 118 had engaged in irresponsible lending – and so she agreed with Mr S that the loan should be removed from his credit file, and that all interest charged should be refunded

118 118 disagreed with our investigator and this complaint was referred for review by an ombudsman.

my provisional findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I find I do not share our investigator's view that 118 118 engaged in irresponsible lending.

118 118 responded to our investigator, saying in summary:

- Mr S's application was for a 'payday rescue' – as such, it would expect to see previous high payday loan usage
- And, if the reason given by Mr S for his application had been other than to consolidate his borrowing, it would not have approved the loan
- Mr S recently told it that his gambling is an illness and a problem, which it now has to take into account in further dealings with him

- But it previously had no reason to believe that gambling was an issue, and so it assumed (in line with FCA rules) that Mr S was able to make informed financial decisions

I think that 118 118 correctly exercised caution, both when it felt the total expenditure figure provided by Mr S was too low, and when it decided to conduct a telephone interview with him to confirm that the loan would be affordable. I feel that 118 118 conducted a proportionate investigation of Mr S's financial situation – which reflected its risk appetite, the size of loan applied for (£1,000), and the interest rate it charged (99.9% APR).

I would agree the information available to 118 118 (at the time it received his application) suggested that Mr S was making considerable use of short term loans – and, arguably, that he would have been well advised to consolidate those loans into longer term borrowing. But I would not agree this information necessarily suggested that Mr S failed to repay his loans, or that he was sinking into debt.

In these circumstances, I am unable to conclude that 118 118 engaged in irresponsible lending, or that it acted wrongly in any other way.

my provisional decision

For the reasons explained above, but subject to any further comments or evidence I receive from Mr S or Madison CF UK Limited (trading as 118 118 Money) by 22 August 2017, my provisional decision is that I do not uphold this complaint.

Roy Mawford
ombudsman