

complaint

Mr W is unhappy with Madison CF UK Limited's (118 Money) decision to lend him money.

background

Mr W had two loans with 118 Money;

- The first £2,700 on 18 February 2016 which was repaid in full on 9 May 2016;
- The second £3,500 on 8 June 2016 which was repaid in full on 3 May 2017.

Mr W's unhappy with 118 Money and suggested its decision to lend to him was an irresponsible one because he had a poor credit history and other money worries. He also said that the two loans were unaffordable and ultimately added to his money problems. He said 118 Money did not complete the appropriate checks as, if it had, it would have realised he had other loans with other lenders. Mr W also told us he was suffering with a gambling addiction at the time of the loans and this is how he spent the money. He would like the interest he paid on both loans to be refunded and any adverse information removed from his credit file.

118 Money said it completed all the necessary checks before it decided to lend Mr W any money. And that part of these checks was to consider what he told it about his financial situation at the time, and to consider this alongside his creditworthiness. 118 Money highlighted that its consumer base is predominantly people who have a poor credit history. It does not think it made a mistake by lending to Mr W.

Our investigator found that 118 Money had taken the appropriate steps in order to assess Mr W against its lending criteria. He empathised with Mr W and his gambling addiction, but also explained that 118 Money was not made aware of this at the time and so he did not think it fair to hold it responsible for the difficult situation Mr W found himself in.

Mr W disagreed with this for mainly the same reasons as before. But in addition, I'll summarise some of the other key arguments I feel are relevant to his complaint;

- Other lenders he'd applied to at the time refused his applications based on his credit history;
- He felt threatened by 118 Money, in particular, in its final response letter where it made reference to being provided with false information and referring to this as potential fraud;
- The loans were unaffordable and the only reason he was able to pay them back was because he'd borrowed money from family members;

And so it's for me to make a final decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I see no reason to depart from what's already been explained by our investigator and so I won't be upholding Mr W's complaint. I'm sorry to learn of the difficult set of circumstances surrounding Mr W's complaint and I'd like to reassure him I've carefully considered these before reaching my final decision. I'd like to explain why I'm not upholding his complaint.

118 Money has already explained it provides a line of credit to potential customers where other lenders might not. Essentially, this means where a customer has a less than favourable credit history, it'll still consider these applications. Typically, there is a higher risk involved here because its potential customers are likely to be people who have missed payments in the past, or even defaulted on previous credit agreements. Mr W has explained that because 118 Money lent to him when other lenders would not, this in some way means that 118 Money made the wrong decision, or in other words, an irresponsible one. But for the reasons I've just explained, this is not necessarily the case here. I say this because Mr W is part of the customer demographic it's happy to consider lending to where other prime lenders might not. That's a commercial decision they're entitled to make.

However, they did still need to make proportionate checks before lending Mr W money. I've considered Mr W's financial history and commitments at the time he made both his applications for credit. I'm satisfied with 118 Money's approach and the consideration given, prior to offering Mr W both his loans. 118 Money, on both occasions, asked the appropriate questions about Mr W's finances, including his employment and other financial commitments. It ultimately based its decision on whether to lend him the money according to what he told it and against his disposable income, or in other words, what money he had left after he'd paid his bills. This is what I'd expect a lender to do and I consider these checks, alongside the credit check, to be at an appropriate level to the amount of money Mr W was borrowing.

I take on board Mr W's argument that he was in the grips of a gambling addiction and that the money he received was used to fund this. I also commend Mr W's attitude towards this and his acceptance that this was not 118 Money's fault. But that does not mean I could fairly conclude that 118 Money did anything wrong in lending to him. At no point was 118 Money made aware of Mr W's addiction, or for that matter his money problems, until well after he'd settled both loans. I could not fairly say that 118 Money should have done things differently as there were also no anomalies that would have reasonably triggered suspicions that anything was wrong, either in his application for credit, or throughout the life of the loans.

Mr W explained he was only able to repay what he'd borrowed because of the support he received from his family. But 118 Money was never made aware of this. Both loans were settled well before the term expired and so as far as 118 Money knew, Mr W was able to cover the cost of the loans and this could have even bolstered his creditworthiness with it.

In fact, even when it called Mr W to check affordability for the second loan in June, there was no mention during this call of any of the difficulties Mr W experienced. This meant that 118 Money effectively had no idea about the money problems he'd since explained. It's gone as far as to say had it known about Mr W's challenges, it's likely it would not have lent to him. And so without 118 Money knowing the full picture, I think it would be unfair to retrospectively apply this and ask it to unwind the loans or refund the interest paid.

Mr W has also explained he found the tone of 118 Money's final response letter threatening. He's referred to a particular part;

"if false or inaccurate information is provided and fraud is identified, details will be passed to fraud prevention agencies"

Having carefully considered this, I do not agree with Mr W that this was intended to be perceived as a threat, especially given the wider context of this particular complaint. Mr W

had not provided 118 Money with accurate information and it has since highlighted discrepancies with a few things Mr W told it, including the reason for the loans, along with his financial commitments at the time. Having checked what he told 118 Money against what's recorded on his credit file, I too can see there were some differences, including the amount of credit he held elsewhere. But none of this is 118 Money's error because everything Mr W told it at that time seemed plausible and reasonable, including the reasons for both loans – to purchase a car and to complete home improvements. So there was no reason for it to doubt anything he'd said. And I've already explained the level of checks it'd completed were proportionate and appropriate for the amount of money borrowed.

There was an onus on both parties to provide accurate and clear information so that the right decision could be made. From the evidence available, I'm satisfied 118 Money did what I'd expect it to and so it does not need to do anything in response to Mr W's complaint.

my final decision

For the reasons I've already explained, I do not uphold Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 19 November 2018.

Scott Slade
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