

The complaint

Miss B complained that Madison CF UK Limited trading as 118 118 Money (“Madison”) irresponsibly granted her two personal loans (in February 2019 and March 2020) that she couldn’t afford to repay.

What happened

In February 2019, Miss B took out a loan of £2,000 over a term of 24 months, with a monthly payment of £114.49. The loan was repaid in March 2020, when she took out a further loan of £2,632.43 over 24 months, with a monthly payment of £151.24. Part of this loan (£1,082.43) was used to repay the first loan, with £1,550 as additional borrowing.

In summary, Miss B told us that she had other loans and credit card debts when she took out the loans detailed above, and she was overcommitted. She said this affected her mental health.

Miss B complained to Madison, but it said that it had carried out appropriate checks before granting the loans, and told Miss B that it did not uphold her complaint. Miss B then brought her complaint to this service. Our investigator looked into it but didn’t think it should be upheld. Miss B didn’t agree, and asked for it to be reviewed by an ombudsman.

What I’ve decided – and why

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website, and I’ve taken this into account here.

I’ve decided not to uphold Miss B’s complaint. I’ll explain why.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn’t a set list of checks required of a lender, but it needs to ensure the checks are proportionate when considering matters such as the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer’s circumstances. So I’ve considered whether Madison completed reasonable and proportionate checks to satisfy itself that Miss B would be able to make the repayments on each loan account in a sustainable way.

Miss B sent in copies of bank statements from the times around the loans being granted, along with a copy of her credit file. Madison sent in copies of the credit file information it used to make the lending decisions, and the loan agreements.

I can see from Miss B’s bank statements that her monthly income in Feb 2019 was just over £1,450 and in March 2020 it was just over £1,775 (although I note that the application information from Madison shows £1,582 for each loan).

With regard to the first loan, Madison had identified as part of its checks that Miss B had credit card balances of £4,843, (and was near her limit) and a loan balance of £2,125. There was a default listed from what looks like a phone company, involving a balance of £173, but this dated from 2014. And apart from one late payment on a credit card, there was no other adverse information on her credit record. The purpose of this loan isn't stated on the application documents. One account had been opened in the preceding six months – this was a loan with another provider, also for £2,000.

The application information shows no outgoings for rent, council tax and utilities (and this is consistent with the bank statements), so it looks as though Miss B was living with her mother.

On the basis that Miss B was near her limit on her credit card balances, and the information also showed that she was generally making the minimum payments towards them, I think Madison ought reasonably to have made further enquiries about her income and outgoings, especially as she had recently taken a loan from another provider.

However, having looked at the bank statements Miss B sent in, I don't think Madison acted unfairly in granting the loan. I say this because the bank statements show the credit commitments that Madison had already identified, along with payments to Miss B's mother, as would be expected if Miss B was living at home and contributing to household expenses. But I can't see a great deal by way of other commitments – there are relatively small payments to phone providers, but much of the other spending appears discretionary. So from what I can see, I'm satisfied Miss B had enough disposable income to meet the loan repayments sustainably.

Miss B has mentioned that she was making payments to two debt collectors, and she used part of the loan to clear the remaining debts. I've thought about what she said, and I can see payments of £10 and £5 on one of her statements, but neither the credit report she provided, nor the information from Madison, showed any debt problems at this time, apart from the default I mentioned earlier. It's possible the payments related to that, but otherwise I don't think Madison would reasonably have been aware of a commitment that did not appear on Miss B's credit file.

Miss B also mentioned borrowing from her mother. There are a number of payments to Miss B's mother on her bank statements, as I noted above, but I can't see a pattern of payments that leads me to think Miss B was borrowing from her mother on a regular basis.

So taking everything into account, although I think Madison ought reasonably to have made further enquiries of Miss B before agreeing the loan, I don't think this would've affected its lending decision and I don't think Madison acted unfairly in granting the loan.

Turning to the second loan, I again think that Madison should have made more detailed enquiries, for much the same reason as before. I can see Miss B's unsecured lending had increased, and again she was near her limit on her credit cards and was making minimum payments.

However, Miss B's income had increased, and looking at her bank statements she was generally in credit with a reasonable balance. Again, much of the spending appears discretionary, so as before, I'm satisfied Miss B had enough disposable income, after allowing for her credit commitments, to meet the new loan repayments.

In summary, although I think Madison should reasonably have made further enquiries before granting the two loans to Miss B, I'm satisfied that the repayments were affordable and

sustainable for her. So I don't consider that Madison acted unfairly in granting the loans to Miss B and therefore I don't uphold this complaint.

My final decision

For the reasons stated above, I have decided not to uphold Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 20 October 2023.

Jan Ferrari
Ombudsman