

Complaint

Mr G has complained about a loan Madison CF UK Limited (trading as “118 118 Money”) provided to him.

Mr G is being assisted in his complaint by a claims management company (“CMC”). The CMC says the loan was unaffordable and shouldn’t have been provided to Mr G.

Background

118 118 Money provided Mr G with a loan for £1,000.00 in January 2023. This loan was due to be repaid in 12 monthly instalments of £112.16. One of our investigators reviewed what Mr G and 118 118 Money had told us. And he thought that 118 118 Money hadn’t done anything wrong or treated Mr G unfairly. So he didn’t recommend that Mr G’s complaint be upheld.

The CMC, on behalf of Mr G, disagreed 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 and irresponsible lending on our website. And I’ve used this approach to help me decide Mr G’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr G’s complaint. I’ll explain why in a little more detail.

118 118 Money needed to make sure that it didn’t lend irresponsibly. In practice, what this means is 118 118 Money needed to carry out proportionate checks to be able to understand whether Mr G could afford to repay before providing this loan.

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 it – 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.

118 118 Money says it agreed to Mr G’s application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out and all of this information showed Mr G could afford to make the repayments he was committing to.

On the other hand, the CMC has said that the monthly payments for the loan were unaffordable to Mr G and so he shouldn't have been lent to.

I've carefully thought about what Mr G and 118 118 Money have said.

The first thing for me to say is that this was Mr G's first loan with 118 118 Money. And 118 118 Money has provided an output of the income and expenditure information recorded at the time of Mr G's application as well as a record of the results of its credit searches.

118 118 Money's searches appear to show that Mr G did have some existing debt. But the vast majority of what Mr G owed was reasonably maintained. There was a problem with the odd payment here and there but nothing that was too alarming, or that would have required further investigation. So I think that 118 118 Money was reasonably entitled to rely on the information which suggested Mr G's was affordable as, on the face of things, it was.

I accept that if 118 118 Money had gone into the depth of checks the CMC appears to be saying it should have – such as obtaining bank statements for more than one account in the same way the CMC says it should have – it may have reached a different answer. But the key here is that 118 118 was providing a loan for a small sum over a relatively short term – albeit at a high rate of interest – where Mr G's finances didn't appear to be distressed.

Given that this is the case, I think the checks were carried out were reasonable and proportionate. The CMC seems to be presenting it as fact that 118 118 Money had to ask for copies of bank statements. This is extremely disappointing as I would expect it to know and understand that the rules in place relate to proportionate checks – not asking for bank statements on each application. And expecting a lender to request bank statements on every application, irrespective of circumstances can hardly be described as proportionate.

At the absolute best some might argue that 118 118 Money could have asked Mr G a bit more about his actual living expenses. But even then, I don't think that obtaining further information on Mr G's actual living costs would have made a difference to 118 118 Money's decision to lend in this instance. I say this because the information Mr G has provided about his finances at the time appears to show that when his committed regular living expenses and existing credit commitments were deducted from his monthly income, he did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

The CMC argues that Mr G actual circumstances at the time were worse than what the information about his living costs shows and it has told us the reason why. But given the circumstances here, and what 118 118 Money needed to find out, I don't think that reasonable and proportionate checks would have extended into obtaining bank statements for more than one of Mr G's accounts.

This is especially as bank statements weren't the only way that 118 118 Money could find out about Mr G's living expenses in the first place. So, in my view, finding out more about Mr G's living expenses, which is the absolute most that can be expected of 118 118 Money here, won't have led to determine the loan payments to be unaffordable.

Furthermore, as this was a first loan 118 118 Money was providing to Mr G and there wasn't a history of Mr G obtaining funds and then returning for more, I'm satisfied that 118 118 Money was reasonably entitled to believe that this loan was affordable Mr G. As this is the case, I don't think that 118 118 Money did anything wrong when deciding to lend to Mr G.

So overall I don't think that 118 118 Money treated Mr G unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr G's complaint. I appreciate this will be

very disappointing for Mr G. 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

For the reasons I've explained, I'm not upholding Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 29 December 2023.

Jeshen Narayanan
Ombudsman