

## **Complaint**

Miss S has complained about personal loans Madison CF UK Limited (trading as “118 118 Money”) provided to her. She says the loans were unaffordable.

## **Background**

118 118 Money provided Miss S with a total of four loans. 118 118 Money initially provided Miss S with a loan for £1,000.00 in September 2019. This loan had an APR of 99.9% and a term of 12 months. This meant that the total amount to be repaid of £1,401.60, including interest, fees and charges of £401.60, was due to be repaid in 12 monthly instalments of just under £116.80. This loan was settled in full in October 2019.

118 118 Money then provided Miss S with a second loan also for £1,000.00 in June 2020. This loan had an APR of 79.9% and a term of 12 months. This meant that the total amount to be repaid of £1,354.92, including interest, fees and charges of £354.92, was due to be repaid in 12 monthly instalments of £112.91. This loan was settled in full in December 2020.

In July 2021, 118 118 Money provided Miss S with a third loan for £1,300.00. This loan had an APR of 44.9% and a term of 24 months. This meant that the total amount to be repaid of £1,861.44, including interest, fees and charges of £561.44, was due to be repaid in 24 monthly instalments of £77.56. This loan was settled in full in October 2021.

Miss S was provided with a fourth and final loan for £2,000.00 in February 2022. This loan had an APR of 49.9% and a term of 24 months. This meant that the total amount to be repaid of £3,012.96, including interest, fees and charges of £1,012.96, was due to be repaid in 24 monthly instalments of £125.54.

One of our investigators reviewed Miss S’ complaint and he concluded that 118 118 Money didn’t do anything wrong when providing Miss S with her loans and so didn’t recommend that the complaint be upheld. Miss S disagreed with the investigator’s assessment and asked for an ombudsman’s decision.

## **My provisional decision of 14 August 2023**

I issued a provisional decision – on 14 August 2023 - setting out why I intended to partially uphold Miss S’ complaint. I won’t copy that decision in full, but I will instead provide a summary of my findings.

I started by explaining that 118 118 Money needed to make sure 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 Miss S could afford to repay any credit it provided.

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 said it agreed to Miss S' applications after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on a credit search it carried out and all of this information showed Miss S could afford to make the repayments she was committing to. On the other hand, Miss S said she couldn't afford these loans and so shouldn't have been lent to.

I carefully thought about what Miss S and 118 118 Money had said.

### Loans 1 and 2

These were Miss S' first loans with 118 118 Money. And 118 118 Money provided an output of the income and expenditure information recorded at the time of these applications as well as a record of the results of its credit searches.

118 118 Money's searches appeared to show that Miss S' commitments at the time were relatively well managed. At the application for loan 1 Miss S' non-mortgage related debt wasn't too high. There were a number of credit searches carried out in the lead up to loan 1 but there wasn't much in the way of other signs of difficulty.

By the time of loan 2, Miss S' non-mortgage related debt had reduced from what it was at the time she applied for loan 1. And the number of searches carried out in her name had also substantially reduced. That said, I was mindful that there were a couple of occasions where Miss S was slightly above her credit limit on revolving credit accounts and this was a second loan application. However, there was an eight-month break between loan 1 being repaid and loan 2 being provided and it wasn't for a larger amount either.

Having taken all of this into account as well as the fact that these loans were for relatively small amounts taken over 12-month terms, I thought that 118 118 Money's checks went far enough. And given the rest of the information gathered also suggested that Miss S could afford to make the payments to loans 1 and 2, I didn't think that it was unreasonable for 118 118 Money to proceed with these applications.

I accepted that Miss S appeared to be suggesting that her actual circumstances weren't fully reflected in the information 118 118 Money obtained at the respective times. But 118 118 Money could only make reasonable decisions based on the information it had available at the time.

As these were first loans and there wasn't anything to indicate that Miss S might have been experiencing financial difficulty at the respective times, I was satisfied that 118 118 Money was reasonably entitled to believe that Miss S could afford to make her payments. And this left me intending not to uphold the complaint about loans 1 and 2.

### Loans 3 and 4

When Miss S approached 118 118 Money in July 2021 she was approaching for a third loan within the space of just over a year. This together with the fact that the amount borrowed was higher, the loan was being taken over a longer term, Miss S was even more indebted and had taken out a number of other loans in the period leading to this application all led me to think that 118 118 Money ought to have found out more about Miss S before determining that this loan was affordable for her.

The position was even worse by the time of loan 4 as Miss S was taking out a loan for an even larger amount, approaching for a fourth loan within the space of less than two years and owed other creditors even more than she did at the time she was provided with loan 3. Having thought about all of this, I was satisfied that 118 118 Money ought reasonably to have carried out further checks before providing loans 3 and 4 to Miss S.

I thought further checks would have extended into finding out more about Miss S' expenditure. And if 118 118 Money had done this here, I was persuaded that it would have seen that Miss S was already in a difficult financial position at the respective times and also found out why this was the case. I was also satisfied that reasonable and proportionate checks would more likely than not have shown 118 118 Money that Miss S' existing precarious financial position was because she was struggling financially.

So I was persuaded by what Miss S had said about already being in a difficult financial position at the respective times and the reasons for this. And as reasonable and proportionate checks should have extended into finding out more about Miss S' income and expenditure, I was satisfied that they would more like than not have shown 118 118 Money that it shouldn't have provided loans 3 and 4 to Miss S.

As 118 118 Money provided Miss S with loans 3 and 4, notwithstanding this, I was minded to conclude that it failed to act fairly and reasonably towards her.

Miss S ended up paying interest, fees and charges on loans she shouldn't have been provided with in the first place. So it was my intention to issue a final decision finding that Miss S lost out because of what 118 118 Money did wrong when providing loans 3 and 4 and that it needed to put things right.

### **Responses to my provisional decision**

Miss S confirmed that she accepted my provisional decision and didn't provide anything further to me to consider.

118 118 Money also confirmed it accepted my provisional decision and that it had nothing further to add.

### **My findings**

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

I set out in some detail why I intended to uphold Miss S' complaint in my provisional decision of 14 August 2023. As I've not been provided with anything further by the parties to consider, I've not been persuaded to alter my conclusions.

So I'm still upholding Miss S' complaint and I remain satisfied that 118 118 Money needs to put things right.

### **Fair compensation – what 118 118 Money needs to do to put things right for Miss S**

Having thought about everything, I'm satisfied that it would be fair and reasonable for 118 118 Money to put things right for Miss S by:

- refunding all interest fees, and charges Miss S paid as a result of loans 3 and 4:

- adding interest at 8% per year simple on any refunded payments from the date they were made by Miss S to the date of settlement†
- removing any adverse information it may have recorded about loans 3 and 4 from Miss S' credit file;

† HM Revenue & Customs requires 118 118 Money to take off tax from this interest. 118 118 Money must give Miss S a certificate showing how much tax it has taken off if she asks for one.

### **My final decision**

For the reasons I've explained above and in my provisional decision of 14 August 2023, I'm upholding Miss S' complaint. Madison CF UK Limited should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 22 September 2023.

Jeshen Narayanan  
**Ombudsman**