

Complaint

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

He says the loan was irresponsibly approved for him.

Background

118 118 Money provided Mr S with a loan for £2,000.00 in December 2019. This loan had an APR of 99.9% and the total amount to be repaid of £3,738.96, which included interest fees and charges of £3,738.96, was due to be repaid in 24 monthly instalments of just £155.79.

One of our investigators reviewed what Mr S and 118 118 Money had told us. He thought that 118 118 Money hadn’t acted unfairly by providing this loan to Mr S and so didn’t think that the complaint should be upheld.

Mr S disagreed with our investigator’s assessment and asked for an ombudsman to take a look at his case.

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 S’ complaint.

Having considered everything, I’ve decided not to uphold Mr S’ complaint. I’ll explain why this is the case 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 S 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 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 S could afford to make the repayments he was committing to.

On the other hand, Mr S says he shouldn't have been lent to and the loan was irresponsibly approved for him.

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

The first thing for me to say is that this was Mr 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 S' application as well as a record of the results of its credit searches. So it's clear that 118 118 Money did obtain a reasonable amount of information before it decided to proceed with Mr S' application.

118 118 Money carried out a credit check on Mr S and it showed that Mr S had some previous difficulties with credit in the form of defaulted accounts. But these were historic as they dated back four years to 2015. It's also fair to say that apart from a couple of odd payments, Mr S' active credit commitments were reasonably well maintained. And more importantly Mr S recent repayment record didn't in itself suggest that Mr S would have trouble making his payments on this loan.

I accept that Mr S appears to be suggesting that his actual circumstances weren't fully reflected either in the information he provided, or the information 118 118 Money obtained at the time. But 118 118 Money could only make a reasonable decision based on the information it had available at the time.

As this was a first loan and there wasn't anything to indicate that Mr S might have experienced, or been experiencing, recent financial difficulty, I'm satisfied that 118 118 Money was reasonably entitled to believe that Mr S could afford to make his payments.

I also accept that it is possible – but by no means certain - that 118 118 Money might have reached a different conclusion on whether to provide this loan had it seen Mr S' bank statements. I know that Mr S suggests that this is the case, although he's not been able to provide this information to us.

In any event, and what's most important here is that given the circumstances, in terms of the lack of obvious inconsistencies and the relatively low monthly payments, I don't think that reasonable and proportionate checks would have extended into obtaining bank statements.

As this is the case, I don't think that 118 118 Money did anything wrong when deciding to lend to Mr S – in my view, it carried out reasonable and proportionate checks which indicated that the repayments were more likely than not affordable.

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

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

Jeshen Narayanan
Ombudsman