

The complaint

Mr O complains that Madison CF UK Limited, trading as 118 118 Money ('118 118 Money'), irresponsibly granted him a loan he couldn't afford to repay.

What happened

In January 2022 Mr O entered into a fixed sum loan agreement with 118 118 Money to borrow £2,000, repayable in 12 monthly instalments of £213.13.

Mr O entered into a debt management plan having sought advice about his financial difficulties. 118 118 Money then agreed to a payment 'breathing space' that applied between June and August 2022. A notice of default was issued in September 2022. I understand that the account remains in arrears.

Mr O says that 118 118 Money didn't complete adequate affordability checks when it agreed the loan. He says had it done so, it would have seen the loan was unaffordable to him and he was already in difficult financial circumstances.

118 118 Money didn't agree. It said it carried out a reasonable and proportionate assessment to check Mr O's financial circumstances before agreeing the loan.

Our adjudicator didn't recommend the complaint be upheld. She thought 118 118 Money didn't act unfairly or unreasonably by approving the loan.

Mr O didn't agree and so his complaint has been passed to me for a final decision.

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.

118 118 Money will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Before providing Mr O with his loan, 118 118 Money says it carried out a credit check. This included asking him about his income and regular expenditure, as well as using statistical data and completing a credit check using credit reference agencies. I've seen that Mr O had a couple of historical credit defaults but there were no recent adverse markings on his credit file. The credit check showed that Mr O already owed around £3,700 in credit card debt and another £400 in loan debt. He had a total of around £5,000 in available credit.

Mr O said in his application he had a monthly income of £2,000, which works out as a net income of just under £1,700. He also said he lived with his parents and wasn't responsible

for paying towards any monthly outgoings or other household expenses. 118 118 Money was satisfied that alongside its other checks, Mr O would be able to meet the monthly repayments.

There isn't set criteria for what a proportionate check ought to encompass. Given the size of the loan and the repayment period, plus the information Mr O had provided in his application, I think it would have been reasonable for 118 118 Money to have gone back to Mr O to check for more information about his monthly outgoings, since he'd said he didn't have any, which does seem unlikely. But I wouldn't have expected it to carry out other checks once it had established that, allowing for his existing debt and available credit, the loan was likely to be affordable for Mr O. It follows that I don't think 118 118 Money acted unfairly in agreeing to lend to Mr O.

Mr O has told us he is unhappy that 118 118 Money applied a default to his account when it fell into arrears. He says his health had suffered as a result of his financial circumstances and it was wrong to add the default. I am sorry to hear about the difficult time Mr O has been through. 118 118 Money offered support to Mr O when he'd applied for a 'breathing space', having passed his account to its specialist support team. And from what I've seen the default was fairly applied to Mr O's credit file and accurately reflected what had been happening with his account after he fell behind with his repayments. So I won't be asking 118 118 Money to do anything more other than to continue to treat Mr O with all necessary forbearance.

It follows that I'm not persuaded that 118 118 Money acted unfairly in approving the loan and I don't think it has acted unfairly or unreasonably in the way it's responded to Mr O's difficulties with managing his loan repayments.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 8 December 2023.

Michael Goldberg
Ombudsman