

Complaint

Mr M has complained about a loan Madison CF UK Limited (trading as “118 118 Money”) provided to him. He says the loan was unaffordable.

Background

118 118 Money provided Mr M with a loan for £4,000.00 in March 2022. This loan was due to be repaid in 30 monthly instalments of £194.09.

One of our investigators reviewed what Mr M and 118 118 Money had told us. And he thought that 118 118 Money hadn't done anything wrong or treated Mr M unfairly. So he didn't recommend that Mr M's complaint be upheld. Mr M 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 M's complaint.

Having carefully considered everything, I've not been persuaded to uphold Mr M'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 M 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 M'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 M could afford to make the repayments he was committing to.

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

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

The first thing for me to say is that this was Mr M'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 M's application as well as a record of the results of its credit searches.

118 118 Money's searches appear to show that Mr M did have some previous difficulties with debt in the form of defaults and a county court judgement ("CCJ") recorded against him – albeit the vast majority of these were historic. But Mr M's active unsecured debt total at the time of the application was low in comparison to his income. And although the vast majority of his more recent accounts were relatively well maintained, it is clear that Mr M had recently defaulted on a credit account.

Given that this is the case I would have expected 118 118 Money to find out a bit more about Mr M's actual living expenses before it decided to lend to him. After all, Mr M had recently proved unable to repay a creditor and I think that this called into question the accuracy of the amount that 118 118 Money had arrived at for Mr M's living expenses. That said, I don't think that obtaining further information on Mr M'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 M 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.

I accept that Mr M says that his actual circumstances at the time were worse than what the information about his living costs shows. And having looked at his bank statements I know why Mr M was in the level of difficulty that he was. However, I don't think that 118 118 Money knew about this. I also accept that if 118 118 Money had gone into the depth of checks Mr M appears to be saying it should have – such as obtaining bank statements – it's possible – but by all means not certain - it may have reached a different decision.

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 Mr M's accounts – especially as bank statements weren't the only way that 118 118 Money could find out about Mr M's living expenses in the first place. It could have instead asked for copies of bills etc. And therefore finding out about Mr M's living expenses won't have led 118 118 Money to determine the loan payments to be unaffordable.

Furthermore, as this was a first loan 118 118 Money was providing to Mr M, he had a low amount of active debt and there wasn't a history of Mr M obtaining funds and then returning for more, I'm satisfied that 118 118 Money was reasonably entitled to believe that this loan would not increase Mr M's indebtedness in a way that was unsustainable or otherwise harmful either. As this is the case, I don't think that 118 118 Money did anything wrong when deciding to lend to Mr M.

So overall I don't think that 118 118 Money treated Mr M unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr M's complaint. I appreciate this will be very disappointing for Mr M. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding Mr M's complaint, I would remind 118 118 Money of its obligation to exercise forbearance and due consideration (bearing in mind what it is now aware of) in the event that it intends to collect the remaining payments on the agreement and Mr M is experiencing financial difficulty.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 5 January 2024.

Jeshen Narayanan
Ombudsman