

Complaint

Mrs H has complained about a credit card Madison CF UK Limited (trading as “118 118 Money”) provided to her.

She says the credit card was irresponsibly provided to her as it was unaffordable.

Background

118 118 Money provided Mrs H with a credit card with an initial limit of £500 in August 2022. Mrs H wasn't provided with any credit limit increases on her account.

Mrs H also complained about 118 118 Money's decision to provide her with a loan. But we've looked at that complaint separately and this decision is solely considering 118 118 Money's actions and whether it acted fairly and reasonably when providing Mrs H with her credit card in August 2022.

One of our investigators reviewed what Mrs H and 118 118 Money had told us. And he thought 118 118 Money hadn't done anything wrong or treated Mrs H unfairly in relation to providing the credit card. So he didn't recommend that Mrs H's complaint be upheld.

Mrs H disagreed and asked for an ombudsman to look at her 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 Mrs H's complaint.

Having carefully considered everything, I've not been persuaded to uphold Mrs H's complaint. I'll explain why in a little more detail.

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 Mrs H 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 says it agreed to Mrs H's application after it obtained information on her income and carried out a credit search. And the information obtained indicated that Mrs H would be able to make the low monthly repayments require to repay this credit card as well any interest accrued within a reasonable period of time.

On the other hand Mrs H says that she was already struggling and shouldn't have been provided with this credit card.

I've considered what the parties have said.

What's important to note is that, in this instance, Mrs H was provided with a revolving credit facility rather than a loan. And this means that 118 118 Money was required to understand whether a credit limit of £500 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £500 required relatively small monthly payments in order to clear the full amount owed within a reasonable period of time.

Furthermore, I've seen records of the information 118 118 Money obtained from Mrs H about her income and a summary of what was likely to have been on the credit search carried out. As I understand it, Mrs H did have some significant adverse information recorded against her in the form of defaults.

But this adverse information is likely to have been historic – from approaching close to three years prior to this application. And crucially this information in itself wouldn't indicate to me that 118 118 Money ought to have realised that Mrs H didn't have the funds to make the relatively low monthly payment that would be required for this credit card.

I appreciate that Mrs H says that her circumstances were worse than this, that she was struggling and she's provided further evidence of her circumstances at the time. For example, I've seen what Mrs H has said about being overdrawn and the implications of this.

I've considered the further information that Mrs H has provided us with. But I don't think that Mrs H being overdrawn automatically meant that she shouldn't have been provided with her credit card. Particularly as the low limit here is unlikely to have been responsible for trapping her in an unsustainable cycle of overdraft debt.

Furthermore, as the information Mrs H has provided indicates that she did have the funds to repay this credit card within a reasonable period of time – once her committed expenditure is subtracted from her income - at the time the lending decision was made, I don't think that 118 118 Money, in any event, doing more would have led to it reaching a different conclusion.

So overall while I can understand Mrs H's sentiments, I don't think that 118 118 Money treated Mrs H unfairly or unreasonably when providing Mrs H with her credit card. And I'm not upholding Mrs H's complaint. I appreciate this will be very disappointing for Mrs H. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mrs H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 31 January 2024.

Jeshen Narayanan
Ombudsman