

## **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 and the terms weren’t properly explained to him.

## **Background**

118 118 Money provided Mr M with a loan for £2,000.00 in January 2021. This loan was due to be repaid in 24 monthly instalments of £118.02.

One of our adjudicators 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 considered everything, I’ve decided not 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 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 existing debts. Furthermore, he had been over the limit on one of his revolving credit accounts in some months prior to this application. However, the account in question had since had any arrears cleared. Crucially, according to the credit searches, Mr M's debt total at the time of the application wasn't excessive in comparison to his income.

I accept that Mr M appears to be suggesting that his actual circumstances weren't fully reflected either in the information he's 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. And as this was a first loan and there wasn't anything to indicate that Mr M might have been experiencing financial difficulty at the time, I'm satisfied that 118 118 Money was reasonably entitled to believe that Mr M could afford to make his payments.

I also accept that it is possible – but not certain that 118 118 Money might have reached a different conclusion on whether to provide this loan had it seen Mr M's bank statements. But given the circumstances here, and the lack of obvious inconsistencies, I don't think that reasonable and proportionate checks would have extended any further than finding out a bit more about Mr M's normal monthly living costs, which, from what I can see, wouldn't have shown the loan to be unaffordable.

As this is the case, I don't think that 118 118 Money did anything wrong when deciding to lend to Mr M – in my view, proportionate checks would more likely than not have suggested the repayments were affordable.

I've also seen what Mr M has said about his circumstances meaning that 118 118 Money should have taken more care to explain the terms and in particular the cost of this loan before lending to him.

However, I've not seen anything to indicate that Mr M made 118 118 Money aware of his particular circumstances. And it's difficult to say that 118 118 Money should have done more here, particular as the APR, total amount of interest and monthly payments are all clearly set out on the loan agreement Mr M electronically signed. As this is the case, I don't think that 118 118 Money did anything wrong in relation to this matter either.

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.

### **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 2 October 2023.

Jeshen Narayanan  
**Ombudsman**