

Complaint

Mr J 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 J with a loan for £5,000.00 in May 2021. This loan was due to be repaid in 60 monthly instalments of £165.04. One of our investigators reviewed what Mr J and 118 118 Money had told us. And he thought that 118 118 Money hadn’t done anything wrong or treated Mr J unfairly. So he didn’t recommend that Mr J’s complaint be upheld. Mr J 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 J’s complaint.

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 J 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 J’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 J could afford to make the repayments he was committing to. On the other hand, Mr J has said he shouldn’t have been lent to.

I’ve carefully thought about what Mr J and 118 118 Money have said.

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

118 118 Money's searches appear to show that Mr J did have some existing debt. But some of what Mr J owed was due to be fully repaid not too long after this loan was taken out. And while Mr J did have a couple of historic missed payments, I think it's also fair to say that the rest of his commitments at the time were relatively well maintained. Crucially, according to the credit searches, Mr J's debt total at the time of the application was reasonable in comparison to his income.

I accept that Mr J 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. However, 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 118 118 Money was providing to Mr J and there wasn't a history of Mr J obtaining funds and then returning for more, I'm satisfied that 118 118 Money was reasonably entitled to believe that this loan was affordable Mr J.

I accept that if 118 118 Money had gone into the depth of checks Mr J appears to be saying it should have – such as obtaining bank statements– it's possible it may have reached a different decision. But given the circumstances here, and the lack of obvious inconsistencies, I don't think that reasonable and proportionate checks would have extended further – especially as what was obtained showed Mr J was in a relatively stable financial position at the time at least.

As this is the case, I don't think that 118 118 Money did anything wrong when deciding to lend to Mr J - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 18 September 2023.

Jeshen Narayanan
Ombudsman