

Complaint

Mr J has complained about loans Madison CF UK Limited (trading as “118 118 Money”) provided to him. He says the loans were unaffordable.

Background

118 118 Money provided Mr J with a first loan for £2,000.00 in August 2020. This loan was due to be repaid in 12 monthly instalments of £221.78. This loan was settled early, in June 2021, with some of the proceeds from loan 2.

In June 2021, Mr J was provided with a second loan for £4,000.00. £412.86 of the proceeds from this loan went towards repaying the outstanding balance on loan 1. This loan had a 36-month term with monthly repayments of £214.86.

One of our adjudicators 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.

Having carefully considered everything, I've decided not to uphold Mr J'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 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 provided Mr J with loans for £2,000.00 and £4,000.00 in December 2020 and June 2021. These loans were due to be repaid in 12 and 36 monthly instalments

respectively. 118 118 Money says it agreed to Mr J's applications 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 comfortably afford to make the repayments he was committing to. On the other hand, Mr J has said the loans were unaffordable.

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

The first thing for me to say is that 118 118 Money has provided a record of the results of its credit searches. 118 118 Money searches appear to show that Mr J did have previous difficulties with credit. So I do think that 118 118 Money needed to find out more about Mr J's regular living expenses before agreeing to provide these loans. However, Mr J hasn't been able to provide us with evidence of what these were at the respective times.

I've also kept in mind that 118 118 Money provided a second loan to Mr J and that sometimes repeat borrowing in itself can be an indication of difficulty. But while the amount advanced for loan 2 was higher, the interest rate was lower and monthly payments were less than what they were on loan 1 – albeit I do accept that Mr J would be indebted for a longer period.

So while the pattern of lending here has seen me take a closer look at the individual applications, I'm satisfied that it wasn't immediately obvious that Mr J might have taken loan 2 because of the effect loan 1 might have left on his finances. And there isn't anything else obvious in these applications which clearly demonstrates Mr J couldn't have afforded the loans either.

I accept that Mr J's actual circumstances may not have been fully reflected either in the information he provided, or the information 118 118 Money obtained. For example, I've seen that Mr J might have been in rent arrears. But the key here is that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. And I can't see how 118 118 would have known about this in circumstances where Mr J didn't disclose this.

Given the circumstances here, I'm satisfied that 118 118 Money was reasonably entitled to lend to Mr J. I say this while especially mindful that we haven't been provided with anything which demonstrates that finding out more about Mr J would clearly 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 J – I've not been provided with enough to satisfy me that proportionate checks would have shown the loans to be unaffordable. And the second loan was provided in circumstances where Mr J's indebtedness didn't appear to be increasing unsustainably.

So overall I don't think that 118 118 Money treated Mr J unfairly or unreasonably when providing him with his loans. 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 27 October 2023.

Jeshen Narayanan
Ombudsman