

The complaint

Mr G complains that Madison CF UK Limited (trading as 118 118 Money) was irresponsible to lend to him.

What happened

Mr G was approved for a credit card with 118 118 Money in March 2020. This was followed by two credit limit increases as follows:

	<u>Date</u>	<u>Credit Limit</u>
Initial Limit	16 Mar 2020	£500
First Increase	25 Sep 2020	£1,500
Second Increase	14 Dec 2021	£2,500

Mr G says the credit card put him further into debt as he was using multiple cards to repay each other.

118 118 Money says it closed Mr G's complaint about his credit card in error and, therefore, has not reviewed its merits.

Our investigator recommended the complaint should be upheld. She found that Mr G was showing clear signs that he was struggling financially at the time he applied for the credit card and that 118 118 Money should not have approved the lending.

118 118 Money responded to say, in summary, that it was not unusual for a customer to show increased expenditure in the lead up to Christmas and it was satisfied its checks showed the lending to be affordable.

Provisional findings

I issued a provisional decision to Mr G and to 118 118 Money on 27 February 2024.

I've summarised my findings below:

Account Opening

I wasn't satisfied 118 118 Money's checks went far enough so I had a look at Mr G's bank statements from the time as a reasonable proxy for what proportionate checks were likely to have shown:

- I found Mr G was left with around £1,100 per month with which to buy food and for other discretionary spend;
- All his active credit accounts were up to date;
- He was making more than minimum payments on his existing credit cards;
- He was utilising less than 35% of his credit card limits;
- Although he was using two of the cards for cash advances, he was repaying these cards in full, or within one month.

So, I couldn't conclude 118 118 Money made an unfair lending decision with regard to the initial approval of the card.

First Credit Limit Increase

I could see 118 118 Money carried out further checks when it increased Mr G's credit limit in September 2020 and they showed:

- His income was unchanged at £2,178;
- Rent had increased to £363;
- Existing credit commitments of £512;
- No further defaults;
- Mr G's two existing loans had been settled and he'd taken out two new loans – one of which was with 118 118 Money;
- 12 cash advances since March 2020 on 5 credit cards, but Mr G was no longer repaying his credit cards in full;
- Mr G's loan balances had more than doubled and his credit card balances had more than tripled.

Once again, I considered it would have been proportionate to carry out further checks as there were indications that Mr G was struggling financially. If 118 118 Money had done so, it would have seen that Mr G's income had reduced to around £1,700 per month and his regular expenditure (excluding food) was around £1,300.

Based on the changes to Mr G's credit balances, his ongoing use of cash advances, his reduced disposable income and his credit card utilisation now being over 90%, I considered it was irresponsible for 118 118 Money to have increased his credit limit in September 2020, especially as Mr G had exceeded the limit in August 2020.

In summary, I found 118 118 Money made a fair lending decision when it approved the credit card, but that it was irresponsible to have increased the limit when it did. That said, I couldn't see it acted unfairly or unreasonably in any other way.

Mr G responded to say that he agreed with the provisional decision and that he had no further information to provide.

118 118 Money responded to say it had no further points to raise.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As neither party provided any additional information, I see no reason to depart from my provisional decision.

My final decision

My decision is that I uphold this complaint in part. Madison CF UK Limited (trading as 118 118 Money) should:

- Rework the account removing all interest and charges that have been applied since 25 September 2020 on balances over £500;
 - If the rework results in a credit balance, this should be refunded to Mr G along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. 118 118 Money should also remove all adverse information regarding the account from Mr G's credit file;
 - Or, if after the rework there is still an outstanding balance, 118 118 Money should arrange an affordable repayment plan with Mr G for the remaining amount. Once Mr G has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

*HM Revenue & Customs requires 118 118 Money to deduct tax from any award of interest. It must give Mr G a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 2 May 2024.

Amanda Williams
Ombudsman