

Complaint

Mr P has complained about a loan Madison CF UK Limited (trading as “118 118 Money”) provided to him. He says the loan was unaffordable for him.

Background

118 118 Money provided Mr P with a loan for £2,000.00 in July 2022. This loan was due to be repaid in 12 monthly instalments of £226.55.

One of our investigators reviewed what Mr P and 118 118 Money had told us. And he thought that 118 118 Money hadn't done anything wrong or treated Mr P unfairly. So he didn't recommend that Mr P's complaint be upheld. Mr P 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 P's complaint.

Having carefully considered everything, I've not been persuaded to uphold Mr P'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 P 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 P'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 P could afford to make the repayments he was committing to.

On the other hand, Mr P has said that the monthly payments for this loan were unaffordable to him and caused him hardship. So he shouldn't have been lent to.

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

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

118 118 Money's searches appear to show that Mr P did have some active debt at the time of his application. But this was low in comparison to his income. Furthermore, Mr P's accounts were relatively well maintained.

Mr P did have a late payment recorded on his credit file. But I don't think that Mr P's sole late payment was too alarming, or that it required further investigation. So I think that 118 118 Money was reasonably entitled to rely on the information which suggested Mr P's loan was affordable as, on the face of things, it was.

I accept that Mr P says that his actual circumstances at the time were worse than what the information shows. I'm also sorry to hear that Mr P found repaying his loan difficult and that he's had a difficult time since. I also accept that if 118 118 Money carried out further checks it is possible it may have reached a different decision.

Although I should add that I've not been provided with anything to clearly show that Mr P couldn't have made the payments he committed too. And while this doesn't necessarily mean that the monthly loan payments were affordable, Mr P settled the loan in full well ahead of the scheduled end of the term.

In any event, given the circumstances here, and what 118 118 Money needed to find out, I don't think that reasonable and proportionate checks would have extended into it doing anything further. There wasn't anything in the information gathered that was difficult to explain or inconsistent.

Furthermore, as this was a first loan 118 118 Money was providing to Mr P, he had a low amount of active debt and there wasn't a history of Mr P obtaining funds and then returning to 118 118 Money for more, I'm satisfied that 118 118 Money was reasonably entitled to believe that this loan would not increase Mr P's indebtedness in a way that was unsustainable or otherwise harmful either. As this is the case, I don't think that 118 118 Money did anything wrong when deciding to lend to Mr P.

In reaching my conclusion, I've seen what Mr P has said about a firm needing to ensure that any relevant product information presented to a customer is clear and delivered in a way that is suitable for the channel being used. However, this requirement is in relation to the product itself. Given Mr P successfully applied for the loan, the credit agreement clearly set out the terms and he was also able to exercise his right to settle the agreement early, I'm not persuaded the information regarding Mr P's loan was not presented to him clearly enough.

The requirement Mr P has referred to doesn't extend to a lender advertising its underwriting criteria as part of the application process. And in any event (while I appreciate that Mr P may not agree with this), I've already explained why 118 118 Money's checks before providing this loan were reasonable and proportionate, given the circumstances in this instance.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 6 February 2024.

Jeshen Narayanan
Ombudsman