

The complaint

Mr M complains that Madison CF UK Limited trading as 118 118 Money irresponsibly lent to him. He says he was in a lot of debt at the time of the loan and proper checks would have shown he shouldn't have been lent the loan.

What happened

118 118 Money agreed to lend Mr M a loan in January 2022, the loan was for £2,000 with 36 monthly repayments of £97.96. When Mr M complained to the business, it didn't uphold his complaint and so he referred his complaint to the Financial Ombudsman Service.

One of our adjudicators looked at the complaint and thought 118 118 Money didn't irresponsibly lend to Mr M. Mr M disagreed, he says proper checks by 118 118 Money would have shown he was in a debt spiral.

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.

I've also considered the law, any relevant regulatory rules and good industry practice at the time the loan was offered.

Before lending money to a consumer, a lender should take proportionate steps to understand whether the consumer could repay without borrowing further or suffering significant adverse consequences.

A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves didn't set out compulsory checks, they did list several things a lender could consider before agreeing to lend. The key thing was that any checks needed to be proportionate and had to consider several different things, including things such as how much was being lent and when what was being borrowed was due to be repaid. A business should also consider and react appropriately to what it knew about the consumer at the time it made its lending decision.

118 118 Money has provided evidence to show that when Mr M applied for the loan, it asked him about his monthly income, living costs and credit commitments. Mr M declared his income as £3,066, his living costs as £1,460 and his credit commitments as £450.

118 118 Money also searched Mr M's credit file, the results of those checks showed Mr M had seven active accounts, three of which had outstanding balances on them. The credit file showed Mr M had two loans with monthly repayment of around £498 and a credit card that was over its limit. The repayment history on the credit card showed Mr M had mostly repaid more than the minimum each month and he hadn't been over his credit limit for a sustained period. The balance on his credit card was around £933, so if Mr M paid 10% monthly towards his credit card, that'll increase his credit commitments by around £93.

This was Mr M's first loan with 118 118 Money, the loan repayment was quite small compared to his income, the information Mr M provided on his application suggested that he had enough disposable income to repay the loan over its term. The information 118 118 Money found from its search into Mr M's credit file didn't show Mr M was in debt spiral. I appreciate Mr M says he had three loans at the time, but the search 118 118 Money carried out only showed he had two active loans.

I think 118 118 Money's checks went far enough in the circumstances of this case and those checks show Mr M had sufficient disposable income to repay his loan without suffering undue financial detriment. Mr M's monthly expenses including his credit commitments were around £2,051 and when compared to his income of £3,066, he had around £1,000 of disposable income which was sufficient to repay his loan.

I'm not persuaded there was anything within the results of 118 118 Money's checks that should have prompted it to check Mr M's bank statements in the circumstances of this case.

Based on above, I don't think 118 118 Money has done anything wrong as it wasn't unreasonable to lend in the circumstances.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 3 October 2023.

Oyetola Oduola
Ombudsman