

The complaint

Ms G complains that Madison CF UK Limited trading as 118 118 Money lent irresponsibly when it approved her credit card application.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

In March 2022 Ms G applied for a credit card with 118 118 Money. In the application, Ms G said she was employed with an income of £1,636 a month. Ms G also said she was renting at £150 a month. 118 118 Money carried out a credit search and found Ms G owed £1,382 across eight unsecured lenders. 118 118 Money also found Ms G had opened a new credit card in the previous six months. In addition, 118 118 Money found Ms G had several defaults that were recorded between 2016 and 2019 along with a satisfied County Court Judgement (CCJ).

118 118 Money says it applied its lending criteria and used estimated outgoings to get a picture of Ms G's surplus income each month. 118 118 Money's application data shows it calculated Ms G had between £560 and £815 disposable income each month. 118 118 Money applied its lending criteria and approved a credit card with a credit limit of £1,600.

Last year Ms G complained that 118 118 Money had lent irresponsibly when assessing her credit card application and referred her concerns to this service. An investigator looked at Ms G's complaint and noted the credit search information 118 118 Money had obtained showed she was using her overdraft each month. They thought 118 118 Money should've done more before approving Ms G's application, like looking at her bank statements.

The investigator reviewed Ms G's bank statements for the three months before the application was approved. The investigator thought Ms G's bank statements showed she was overly reliant on her overdraft to make ends meet each month. The investigator upheld Ms G's complaint and asked 118 118 Money to refund all the interest fees and charges applied to her account.

118 118 Money asked to appeal and said it had completed an income and expenditure assessment that found repayments were affordable during the application process. 118 118 Money also noted Ms G's overdraft was relatively modest at £250 and that it was repaid in full each month and never over the agreed limit. As 118 118 Money asked to appeal, Ms G's complaint has been passed to me to make a decision.

What I've provisionally 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.

Before agreeing to lend, the rules say 118 118 Money had to complete reasonable and proportionate checks to ensure Ms G could afford to repay the debt in a sustainable way.

These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;*
- The total sum repayable and the size of regular repayments;*
- The duration of the agreement;*
- The costs of the credit; and*
- The consumer's individual circumstances.*

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstance by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

In this case, I've reviewed all the available information which includes the application Ms G completed, the full credit file 118 118 Money obtained and the lending assessment it completed, including its income and expenditure review. Whilst I understand my decision is likely to disappoint Ms G, I've reached a different conclusion to the investigator. I'm very sorry to disappoint Ms G but based on the information I've seen so far, I haven't been persuaded to uphold her complaint.

As our investigator noted, Ms G's credit file contained various pieces of information. That included several defaulted accounts from between 2016 and 2019 along with a satisfied CCJ. I appreciate those are all serious, but I think it's reasonable to say they were several years old at the point Ms G applied and historic in nature. 118 118 Money has shown it factored the defaults, CCJ and associated costs into its lending assessment, so I'm satisfied it was aware of Ms G's credit history.

118 118 Money also found Ms G owed £1,832 at the point of application to other creditors. I've looked at Ms G's credit file from March 2022 to see how her credit was being administered at the time. I think 118 118 Money makes a reasonable point when it says Ms G didn't show signs of being caught in a cycle of debt, such as taking pay day loans. The credit file shows Ms G's existing commitments were well maintained.

I can see Ms G was using an overdraft facility each month but I haven't been persuaded that means she was overly reliant on credit to make ends meet. I note that the credit file data 118 118 Money obtained showed Ms G owed an average outstanding overdraft balance of £156 in the three months before she applied. And the overdraft limit of £250 was modest when compared against Ms G's income. I'm not persuaded that an average overdraft balance at that level shows Ms G was reliant on credit to make ends meet.

118 118 Money has provided a copy of the lending assessment that shows it found Ms G had sufficient surplus income each month to afford the cost of a credit card with a limit of £1,600. I appreciate Ms G may have since had trouble maintaining those payments, but I'm satisfied the level and nature of checks 118 118 Money carried out during the application were reasonable and proportionate to the credit card and limit. I haven't seen anything that leads me to conclude 118 118 Money should've done more, like asking Ms G for her bank statements, before approving the application.

With that said, Ms G has sent us copies of her bank statements for the three months before she applied to 118 118 Money. Ms G's income is in line with what she declared on the application, although I note that in December 2021 Ms G earned £2,225 instead of £1,636. Ms G's statements show she was making regular payments for a mobile phone, internet,

credit providers amongst other things. But they don't show Ms G was paying rent or other utilities from her bank account. I found that in December 2021 Ms G had an income of £2,225 and regular commitments of around £700 (including a payment of £300 to a credit card provider). In January 2022 Ms G earned £1,695 and had regular commitments of £393. And in February 2022 Ms G's income was £1,695 with regular commitments of £600 (including a £200 payment to a credit card provider). I note that Ms G was paying around £4 a month in charges for her overdraft facility.

Whilst I'm not saying I would've expected 118 118 Money to obtain Ms G's bank statements, if it had I still think it would've approved the credit card application. In my view, Ms G's bank statements don't show she was reliant on credit to make ends meet or struggling financially at that time.

Overall, I'm satisfied 118 118 Money carried out reasonable and proportionate checks when looking at Ms G's application. And I'm satisfied 118 118 Money's decision to approve Ms G's application was reasonable based on what it knew about her circumstances. As a result, based on the information I've seen so far, I haven't been persuaded to uphold Ms G's complaint.

I invited both parties to respond with any additional points or information they wanted me to consider before I made my final decision. Ms G responded and said that the £1,600 limit 118 118 Money approved was too high when taking her adverse credit into account. Ms G added that 118 118 Money would have had access to this information during the application process. Ms G also said 118 118 Money should've asked to see her bank statements to verify whether she could afford repayments.

We didn't receive any new information from 118 118 Money.

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'd like to thank Ms G for responding and providing her comments on the provisional decision. As noted in the provisional decision, I'm satisfied 118 118 Money was aware of the adverse information showing on her credit file at the point she applied. But 118 118 Money has confirmed it factored that information into its lending decision.

In addition, as I noted in the provisional decision, even if Ms G had provided bank statements I'm satisfied 118 118 Money would've most likely proceeded. As I said, Ms G's bank statements for the months preceding her application to 118 118 Money didn't show signs she was reliant on credit or that she was unable to sustainably maintain further repayments for a new credit card. In my view, even if 118 118 Money had asked Ms G for her bank statements, it's more likely than not that it still would've approved her credit card application.

I'm sorry to disappoint Ms G but I haven't been persuaded to change the conclusions I reached in my provisional decision. I remain of the view that 118 118 Money lent responsibly, for the same reasons.

My final decision

My decision is that I don't uphold Ms G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G to accept or

reject my decision before 17 April 2024.

Marco Manente
Ombudsman