

Complaint

Mr C 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 C with a first loan for £1,000.00 in August 2019. This loan was due to be repaid in 12 monthly instalments of £101.19. In November 2020, Mr C was provided with a second loan for £2,000.00. This loan had a 24-month term with monthly repayments of £163.27.

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

Having carefully considered everything, I've decided not to uphold Mr C'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 C 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 C with loans for £1,000.00 and £2,000.00 in August 2019 and November 2020. These loans were due to be repaid in 12 and 24 monthly instalments respectively. 118 118 Money says it agreed to Mr C'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 C could comfortably afford to make the repayments he was committing to. On the other hand, Mr C has said the loans were unaffordable.

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

118 118 Money has provided a record of the results of its credit searches. Bearing in mind what the searches showed, particularly when loan 2 was being provided, I do think that 118 118 Money needed to find out more about Mr C's circumstances before agreeing to provide these loans. And I'm therefore not persuaded that the checks it carried out were reasonable and proportionate in this instance.

As 118 118 Money didn't carry out reasonable and proportionate checks, I've gone on to decide what I think 118 118 Money is more likely than not to have seen had it obtained further information from Mr C. What I need to think about here is what did 118 118 Money need to do in order to answer the questions its initial checks left unanswered – in other words, what were Mr C's actual regular living expenses (bearing in his credit commitments were already validated by the credit searches)?

The information Mr C has provided does appear to show that when his committed regular living expenses and existing credit commitments were deducted from his monthly income, he did have the funds, at the time at least, to sustainably make the repayments due under these agreements.

I accept it's possible that Mr C's actual circumstances at the time might have been worse than what the information he's provided shows. And given some of the transactions on Mr C's account, I have a suspicion why this could have been the case.

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 don't think that 118 118 Money could possibly be expected to have known that the payments to this agreement were unaffordable bearing in mind that obtaining bank statements wasn't the only way for 118 118 Money to find out more about Mr C's actual regular living expenses.

I've also kept in mind that 118 118 Money provided a second loan to Mr C and that sometimes repeat borrowing in itself can be an indication of difficulty. But while the amount advanced for loan 2 was higher, there was a break of a few months between loan 1 being repaid and loan 2 being provided.

So while the pattern of lending here has seen me take a closer look at the individual applications, I'm satisfied that it ought to have been obvious to 118 118 Money that Mr C might have taken loan 2 because of the effect loan 1 left on his finances. And there isn't anything else obvious in these applications which clearly demonstrates proportionate checks would have shown Mr C couldn't have afforded the loans either.

Overall and having considered everything, I don't think that 118 118 Money did anything wrong when deciding to lend to Mr C – I've not been persuaded that proportionate checks would have shown the loans to be individually unaffordable. And the second loan was provided in circumstances where Mr C's indebtedness, to 118 118 Money at least, didn't appear to be increasing unsustainably.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 24 November 2023.

Jeshen Narayanan
Ombudsman