

Complaint

Mr B has complained about personal loans Madison CF UK Limited (trading as “118 118 Money”) provided to him. He says that the loans were unaffordable and so shouldn’t have been provided to him.

Background

118 118 Money initially provided Mr B with a first loan for £2,000.00 in December 2014. The loan had an APR of 99.9% and the total amount to be repaid of £3,808.08, which included interest, fees and charges of £1,808.08, was due to be repaid in 24 monthly instalments of £158.67. This loan was repaid with some of the proceeds from loan 2.

118 118 Money then provided Mr B with a second loan for £1,149.14 in January 2017. £149.14 of the proceeds from this loan went towards settling the outstanding balance on loan 1. This loan also had an APR of 99.9% and the total amount to be repaid of £2,126.40, which included interest, fees and charges of £977.26, was due to be repaid in 24 monthly instalments of £88.60.

One of our adjudicators reviewed Mr B’s complaint and eventually concluded that proportionate checks wouldn’t have prevented 118 118 Money from providing Mr B with loan 2 but that such checks wouldn’t have prevented it from providing loan 1. So she thought that Mr B’s complaint should be partially upheld.

Neither party agreed with our adjudicator’s assessment. So the case was passed to an ombudsman as per the next step of our dispute resolution process.

My provisional decision of 2 October 2023

I issued a provisional decision – on 2 October 2023 - setting out why I intended to uphold Mr B’s complaint. I won’t copy that decision in full, but I will instead provide a summary of my findings.

I started by explaining that we’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And that I had used this approach to help me provisionally decide Mr B’s complaint.

118 118 Money needed to make sure it didn’t lend irresponsibly. In practice, what this means is that 118 118 Money needed to carry out proportionate checks to be able to understand whether Mr B could afford to repay any credit it provided.

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.

I considered what 118 118 Money had done in light of this.

The information 118 118 Money had provided suggested that it carried out credit checks before both loans were provided. The information I was able to extrapolate suggested that the results of these credit checks would more likely than not have shown that Mr B was significantly indebted and had had previous difficulties repaying credit. Indeed Mr B had an extended history of payday loans.

Furthermore, Mr B appeared to have been more indebted by the time that he applied for loan 2, a significant proportion of his monthly income was going towards credit repayments and I thought that 118 118 Money would have been aware that Mr B was only able to finally repay loan 1 with some of the proceeds from loan 2.

All of this left me persuaded by what Mr B had said about already being in a difficult financial position at the time of these loans. While I did accept that it was possible Mr B's financial position wasn't as a result of financial difficulty, I explained that it was my experience of these types of cases that this was unlikely. And in the absence of any reasonable or plausible arguments from 118 118 Money, I was persuaded to accept Mr B's version of events here.

As this was the case, I thought that Mr B's existing financial position meant that he was always unlikely to be able to afford the payments to these loans, without undue difficulty or borrowing further. And I was satisfied that, bearing in mind everything, reasonable and proportionate checks would more likely than not have shown 118 118 Money that it shouldn't have provided these loans to Mr B.

As 118 118 Money provided Mr B with these loans, notwithstanding this, it was my intention to issue a final decision concluding that it failed to act fairly and reasonably towards him.

Mr B ended up paying interest, fees and charges on loans he shouldn't have been provided with. So I was satisfied that Mr B lost out because of what 118 118 Money did wrong and I concluded by stating that it was my intention to issue a final decision that directed it to put things right.

Responses to my provisional decision

Mr B didn't respond to my provisional decision and or provide anything further to me to consider.

118 118 Money confirmed that it didn't have anything further for me to consider and said that it would await my final decision.

My findings

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

I set out in some detail why I intended to uphold Mr B's complaint in my provisional decision of 2 October 2023. As I've not been provided with anything further by the parties to consider, I've not been persuaded to depart from those conclusions.

So overall and having considered everything, I'm still upholding Mr B's complaint and I remain satisfied that 118 118 Money needs to put things right.

Fair compensation – what 118 118 Money needs to do to put things right for Mr B

Having thought about everything, I'm satisfied that it would be fair and reasonable for 118 118 Money to put things right for Mr B by:

- refunding all interest, fees and charges Mr B paid on his loans;
- adding interest at 8% per year simple on any refunded payments from the date they were made by Mr B to the date of settlement†;
- removing all adverse information it recorded on Mr B's credit file as a result of these loans.

† HM Revenue & Customs requires 118 118 Money to take off tax from this interest. 118 118 Money must give Mr B a certificate showing how much tax it has taken off if he asks for one.

My final decision

For the reasons I've explained above and in my provisional decision of 2 October 2023, I'm upholding Mr B's complaint. Madison CF UK Limited should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 22 November 2023.

Jeshen Narayanan
Ombudsman