

## **The complaint**

Mrs H complains that Madison CF UK Limited trading as 118 118 Money (118) lent to her irresponsibly.

## **What happened**

In September 2021 Mrs H applied for a credit card. 118 approved the application and gave Mrs H a card with an initial credit limit of £1200. No further credit limit increases were applied.

Mrs H complained that 118 had lent to her irresponsibly.

118 didn't uphold the complaint. It said it had carried out proportionate checks before lending to Mrs H.

Mrs H remained unhappy and complained to this service.

Our investigator upheld the complaint. He said that 118 hadn't carried out reasonable and proportionate checks and said the information showed that Mrs H wasn't in a position to take on any more borrowing.

118 didn't reply to the investigators view so I've been asked to make a final decision.

## **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.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website. I've had this approach in mind when considering Mrs H's complaint.

Before agreeing to lend, 118 needed to complete reasonable and proportionate checks to ensure that Mrs H could sustainably repay what was being lent to her.

There's no set list of checks that a lender has to carry out. But lenders are required to have regard to things like the amount being lent, the total amount repayable, the monthly repayment and the consumers individual circumstances when deciding what's reasonable and proportionate.

I've looked at the checks that 118 completed. 118 obtained information from Mrs H about her income and expenditure. It also carried out a credit check to see what historic and current credit commitments Mrs H had.

When she applied for the account, Mrs H told 118 that she was employed part time with a monthly income of £1527. Mrs H didn't declare any dependants and stated that she was living with her parents. She declared monthly expenditure of £430.

118 Money carried out a credit check before lending to Mrs H. I've reviewed this and I can

see that Mrs H had significant consumer credit commitments with some accounts in arrears and some accounts subject to a payment plan.

In view of this information, I think it would've been proportionate for 118 to carry out further checks to get a more detailed understanding of Mrs H's financial circumstances.

I've gone on to consider what further checks might have shown.

I've looked at Mrs H's unsecured debt. This was at a significant level and should've been the focus of further checks. She had unsecured debt of around £10,000 which included credit cards, loans, catalogue accounts and a hire purchase agreement. I can see that Mrs H took out a credit card with another lender the month before she applied for the 118 credit card. She had already utilised all of the credit facility on that first card. I can also see that Mrs H applied for a loan with 118 in June 2021. So she would have had loan repayments to make going forwards as well as the payments on the 118 credit card account.

Taking all of this into account, I don't think the lending decision was fair. The information from the credit checks shows that Mrs H was already struggling to repay her debts and that she was reliant on credit.

For these reasons I'm upholding the complaint.

### **Putting things right**

118 must:

Rework the account so that interest and charges are removed

If an outstanding balance remains, 118 must arrange an affordable payment plan with Mrs H

If there isn't an outstanding balance, any extra should be treated as an overpayment and should be returned to Mrs H together with 8% simple interest per annum calculated from the date of each overpayment to the date of settlement\*

Once there is no outstanding balance 118 should remove any adverse information relating to the account from Mrs H's credit file

\*HMRC require 118 to take off tax from the interest. 118 must give Mrs H a certificate showing how much tax has been taken off if she asks for one.

### **My final decision**

My final decision is that I uphold the complaint. Madison CF UK Limited trading as 118 118 Money must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 3 August 2023.

Emma Davy  
**Ombudsman**