

Complaint

Mr F has complained about loans Madison CF UK Limited (trading as “118 118 Money”) provided to him.

He says these loans were unaffordable.

Background

118 118 Money provided Mr F with a first loan for £1,000.00 in June 2020. This loan was due to be repaid in 12 monthly instalments of £118.14 but was settled in full in March 2021. 118 118 Money then provided Mr F with loan 2, for £2,500.00, in October 2021. This loan had a 24-month term and had monthly repayments of £181.34.

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

Mr F 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 F's complaint.

Having carefully considered everything, I've not been persuaded to uphold Mr F'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 F 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 F with loans for £1,000.00 and £2,500.00 in June 2020 and October 2021. These loans were due to be repaid in 12 instalments of £118.14 and 24 instalments of £181.34 respectively.

118 118 Money says it agreed to Mr F'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 credit searches it carried out and all of this information showed Mr F could comfortably afford to make the repayments he was committing to. On the other hand, Mr F has said the loans were unaffordable.

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

The first thing for me to say is that 118 118 Money has provided a record of the results of its credit searches. 118 118 Money searches appear to show that Mr F had some existing credit commitments but that these were relatively well maintained.

Furthermore, Mr F's indebtedness actually decreased in the period between loans 1 and 2. I've also kept in mind that loan 1 was repaid three months early and then it was a further seven months before Mr F approached 118 118 Money for loan 2.

So it wasn't immediately obvious that Mr F might have been taking loan 2 because of the effect loan 1 left on him finances. And even if loan 2 ran to term this wouldn't have left Mr F owing 118 118 Money for an excessive period. So it's difficult for me to say that loan 2 had the effect of unfairly prolonging Mr F's indebtedness either.

I accept that Mr F's actual circumstances may not have been fully reflected either in the information he provided, or the other information 118 118 Money obtained. Equally I accept that if 118 118 Money had gone into the depth of checks Mr F appears to be saying it should have – such as obtaining bank statements in the same way a mortgage provider would – it may have reached a different answer.

But the key here is that 118 118 Money wasn't providing Mr F with a mortgage. It was providing loans for relatively small sums over relatively short terms – albeit at high rates of interest. It's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the circumstances here, and the lack of obvious inconsistencies, I don't think that reasonable and proportionate checks would have extended into the level of checks Mr F is suggesting.

As this is the case, I don't think that 118 118 Money did anything wrong when deciding to lend to Mr F - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. And the second loan was provided in circumstances where Mr F's indebtedness, at least to it, didn't appear to be increasing unsustainably.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 12 October 2023.

Jeshen Narayanan

Ombudsman