

Complaint

Miss B has complained about a loan Madison CF UK Limited (trading as “118 118 Money”) provided to her. In the main, she says that the loan was irresponsibly lent as it was unaffordable for her. She’s also unhappy that a default has been recorded against her.

Background

118 118 Money provided Miss B with a first loan for £1,000.00 in October 2022. This loan was due to be repaid in 36 monthly instalments of £44.33.

One of our investigators reviewed what Miss B and 118 118 Money had told us. And he thought that 118 118 Money hadn’t done anything wrong or treated Miss B unfairly. So he didn’t recommend that Miss B’s complaint be upheld.

Miss B disagreed and asked for an ombudsman to look at her 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.

Having carefully considered everything, I’ve decided not to uphold Miss B’s complaint. I’ll explain why in a bit more detail.

118 118 Money’s decision to provide Miss B with her loan

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 Miss B’s complaint.

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 Miss B 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 Miss B with a loan for £1,000.00 in October 2022. This loan was due to be repaid in 36 instalments of £44.33. 118 118 Money says it agreed to Miss B’s application after she provided details of her monthly income and some information on her expenditure.

It says it cross-checked this against information on a credit search it carried out and all of this information showed Miss B could comfortably make the repayments she was committing to. On the other hand, Miss B has said she was in financial difficulty.

I've carefully thought about what Miss B and 118 118 Money have said.

The first thing for me to say is that 118 118 Money has provided the output of Miss B's application. 118 118 Money searches appear to show that credit commitments at the time were relatively well maintained. For example, there was no significant adverse information such as defaulted accounts recorded against her. Crucially, according to the credit searches, Miss B's unsecured debt total at the time of the application was low in comparison to her income too.

I accept that Miss B's actual circumstances may not have been fully reflected either in the information she provided, or the information 118 118 Money obtained. But even if I accept that 118 118 Money's checks ought to have gone further and extended into finding out about Miss B's actual living expenses, which given it had declined two previous loan applications from Miss B there is a reasonable argument for, I don't think this would have made a difference to its decision.

I say this because looking at the information Miss B has provided there isn't anything in it which shows that including her actual living expenses, rather than estimates, would have shown the low monthly repayments for this loan to be demonstrably unaffordable.

It may also help for me to explain that it's only fair and reasonable for me to uphold a complaint in circumstances where proportionate checks will have shown a lender that the payments were unaffordable. It is not sufficient for me to uphold a complaint simply because more should have done. I have to be satisfied that doing more would have resulted in the lender taking a different course of action – in this case, declining Miss B's loan application.

Given the circumstances here, I don't think that 118 118 Money did anything wrong when deciding to lend to Miss B - it carried out checks which, on the face of things, suggested the repayments were affordable. And most crucially, I don't think that obtaining further information, given Miss B's previous declined applications, would have prevented it from lending the loan that it did agree to.

As this is the case, I'm not upholding this aspect of Miss B's complaint.

118 118 Money's decision to terminate Miss B's agreement and record a default on her credit file

I now turn to the circumstances behind Miss B's agreement being terminated and a default being applied to her credit file. It isn't in dispute that 118 118 Money became aware that Miss B was having difficulty making her payments once she stopped making her scheduled loan payments from March 2023.

Miss B appears to have had contact with 118 118 Money around this time and she explained she was experiencing difficulty making her payments. So Miss B's direct debit was cancelled and a repayment arrangement was set up where Miss B would make reduced monthly payments of £20 by debit card in June 2023, July 2023, and August 2023.

It should be noted that by this stage Miss B had already missed her March 2023 and April 2023 loan payments and possibly her May 2023 payment too (although this is unclear as the statement of account states the payment was returned rather than failed and its possible this

was because the payment arrangement was set up). In any event, what is clear is that Miss B's £25 reduced payment failed in June 2023 as did the similar payment scheduled for July 2023 and arrears continued to build on her account.

I do sympathise with what Miss B has told us. I fully appreciate why she's unhappy with adverse information being recorded on her credit file and worried about the impact this will have. But as a result of not receiving any payments from Miss B for sometime, 118 118 Money decided to begin taking action to terminate Miss B's agreement, as it was entitled to do in the circumstances. I also think it is worth me setting out that by the time Miss B's agreement was terminated, Miss B was already a number of months in arrears and she'd already broken a repayment arrangement.

So there was no indication Miss B's financial situation had improved after her missed payments and I don't think it would have been fair, reasonable or proportionate for 118 118 Money to hope for the best and continue ignoring Miss B's obvious and apparent difficulty, or the fact that her inability to make her payments was providing to be long-term rather than short-term, indefinitely. So by this stage, I would have expected 118 118 Money to have taken action in the way that it did.

After all while terminating an agreement and recording a default or other adverse information, might be viewed negatively by other lenders, it does offer the borrower certain protections in relation to the loan debt. And asking 118 118 Money to now remove the default, when Miss B didn't repay this debt in line with the initial arrangements and also didn't keep to the terms of her repayment plan, would arguably be counterproductive and not in Miss B's interests or that of any future lender.

So I'm satisfied it was fair and reasonable for 118 118 Money to begin the process of terminating Miss B's agreement when it did. As this is the case and Miss B didn't or wasn't able to take steps to repay what was owed, or reach a suitable arrangement to bring her account back up to date, I'm satisfied that 118 118 Money was entitled to terminate Miss B's loan agreement and record the default that it did.

Miss B's concerns about 118 118 Money's lack of a response to her complaint

Finally, I've seen what Miss B has said about 118 118 Money's failure to issue a final response to her. However, while I accept that Miss B is unhappy with matters, receiving a final response would have simply entitled Miss B to have referred her complaint to us which she was in any event able to do. And I don't see how she lost out as a result of any delay.

Furthermore, the time limits for issuing a final response are in relation to a respondent firm's obligations when handling complaints. Complaint handling isn't an activity which falls within my jurisdiction. Ultimately, it is the regulator which monitors firms' actions in relation to these time limits and deals with any non-compliance in this area. So while I appreciate that Miss B is unhappy at the way 118 118 Money handled her complaint, I'm afraid that this isn't a matter I can consider or award her compensation for.

Overall and having considered everything, I don't think that 118 118 Money treated Miss B unfairly or unreasonably when providing her with her loan or applying a default on her credit file. And I'm not upholding Miss B's complaint. I appreciate this will be very disappointing for Miss B. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 1 February 2024.

Jeshen Narayanan
Ombudsman