

The complaint

Miss P complains that Madison CF UK Limited trading as 118 118 Money irresponsibly accepted to lend her a credit card.

What happened

118 118 Money accepted Miss P's credit card application in January 2021 and agreed a credit limit of £1,200. As I understand it, this account has now been defaulted.

When Miss P complained to 118 118 Money through a third-party representative, it didn't uphold her complaint and so she referred her complaint to the Financial Ombudsman.

One of our adjudicators looked at what both parties said and thought 118 118 Money wasn't wrong to agree the credit limit. Miss P disagreed and so the complaint has been passed to me – an ombudsman for a 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.

I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered. Before lending money to a consumer, a lender should take proportionate steps to understand whether the consumer could repay without borrowing further or suffering significant adverse consequences.

A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves didn't set out compulsory checks, they did list a number of things a lender could take into account before agreeing to lend. The key thing was that any checks needed to be proportionate and had to take into account a number of different things, including things such as how much was being lent and the repayments. A business should also take into account and react appropriately to what it knew about the consumer at the time it made its lending decision.

118 118 Money has provided evidence to show that it searched Miss P's credit file and she provided her income at the time of application. I haven't seen any evidence that Miss P's credit limit was increased and so my consideration is whether 118 118 Money made a fair lending decision when it initially agreed to lend Miss P the credit card.

Miss P declared her income as £2,178, the results of the credit search showed Miss P had 89% balance to limit ratio on her existing credit. The most recent default on her account appeared to be in 2018 and I wouldn't have expected that to have prevented 118 118 Money from agreeing this credit limit. I think in the circumstances 118 118 Money's checks were reasonable.

Comparing Miss P's income to the credit limit and the information 118 118 Money found from its reasonable checks I don't think it was unfair for it to lend. I appreciate Miss P defaulted on this account but there was nothing within the checks that suggested 118 118 Money giving her this credit limit was wrong at the time.

So, I won't be asking 118 118 Money to put things right.

My final decision

For the reasons given above and I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 3 October 2023.

Oyetola Oduola
Ombudsman