

Complaint

Miss L has complained about a loan Madison CF UK Limited (trading as “118 118 Money”) provided to her. She says that the loan was irresponsibly lent.

Background

118 118 Money provided Miss L with a loan for £3,000.00 in March 2019. This loan was due to be repaid in 24 monthly instalments of £172.24.

I understand that Miss L may also have taken out a credit card with 118 118 Money. But we’ve only been asked to look at a complaint about Miss L’s loan and this decision is only considering whether 118 118 Money acted fairly and reasonably towards Miss L when providing her with a loan in March 2019.

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

Miss L disagreed with our investigator 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.

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 L’s complaint.

Having carefully considered everything, I’ve decided not to uphold Miss L’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 Miss L 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 L with a loan for £3,000.00 in March 2019. This loan was due to be repaid in 24 monthly instalments of £172.24. 118 118 Money says it agreed to Miss L'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 L could to comfortably make the repayments she was committing to. On the other hand, Miss L has said she was in financial difficulty.

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

The first thing for me to say is that 118 118 Money has provided the output of Miss L's application. 118 118 Money searches appear to show that Miss L had had historic difficulties with credit, as there were historic defaults recorded in her name. But Miss L didn't have any recent difficulties and her active commitments at the time were relatively well maintained. Crucially, according to the credit searches, Miss L's unsecured debt total at the time of the application was low in comparison to her income too.

However, as 118 118 Money's searches appear to show that Miss L did have some previous difficulties with credit, I would have expected 118 118 Money to find out a bit more about Miss L's actual living expenses before it decided to lend to her. After all, Miss L had previously proved unable to repay creditors and while the historic nature of the defaults meant that the defaults in themselves were not a reason not to lend in this instance bearing in mind the circumstances, I nonetheless think that 118 118 Money needed to have an idea of Miss L's actual living expenses.

That said, I don't think that obtaining further information on Miss L's actual living costs would have made a difference to 118 118 Money's decision to lend in this instance. I say this because the information Miss L has provided about her finances at the time appears to show that when her committed regular living expenses and existing credit commitments were deducted from her monthly income, she did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

I accept that Miss L says that her actual circumstances at the time were worse than what the information about her living costs shows. Having looked at the bank statements Miss L has provided the reasons for this are apparent. I also accept that if 118 118 Money had gone into the depth of checks Miss L appears to be saying it should have – such as obtaining bank statements – it's possible, but by no means certain, it may have reached a different decision.

But given the circumstances here, and what 118 118 Money needed to find out, I don't think that reasonable and proportionate checks would have extended into obtaining bank statements for Miss L's account – especially as bank statements weren't the only way that 118 118 Money could find out about Miss L's living expenses in the first place. And finding out about Miss L's living expenses won't have led 118 118 Money to determine the loan payments to be unaffordable.

Furthermore, as this was a first loan 118 118 Money was providing to Miss L and there wasn't a history of Miss L obtaining funds and then returning for more, I'm satisfied that 118 118 Money was reasonably entitled to believe that this loan was affordable Miss L. As this is the case, I don't think that 118 118 Money did anything wrong when deciding to lend to Miss L – in my view, proportionate checks are more likely than not to have suggested that the repayments were affordable.

So overall I don't think that 118 118 Money treated Miss L unfairly or unreasonably when providing her with her loan. And I'm not upholding Miss L's complaint. I appreciate this will

be very disappointing for Miss L. 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 L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 15 January 2024.

Jeshen Narayanan
Ombudsman