

The complaint

Mrs H, via a third party, complains that Madison CF UK Limited trading as 118 118 Money (“Madison”) irresponsibly granted her two loans (in May 2017 and July 2018) that she couldn’t afford to repay.

What happened

In May 2017 Mrs H took out a loan of £1,000 over a term of 24 months with the monthly repayment set at £78.18. This loan was repaid in July 2018 when Mrs H took out a second loan of £1,311.68 over a term of 24 months with the monthly repayment set at £100.25. Part of this (second) loan was used to repay the first loan (£661.68) and part of it was taken by Mrs H as new/additional borrowing (£650).

In April 2023 Mrs H complained to Madison that both loans were unaffordable and shouldn’t have been granted.

In May 2023 Madison issued Mrs H with a final response letter (“FRL”). Under cover of this FRL Madison said it was satisfied that it had acted correctly in granting both loans and it wasn’t upholding her complaint.

In July 2023, and unhappy with Madison’s FRL, Mrs H referred her complaint to our service. Mrs H’s complaint was considered by one of our investigators who came to the view that it shouldn’t be upheld.

Mrs H didn’t agree with the investigator’s view so her complaint was passed to me for review and decision.

In February 2024 I issued a provisional decision on this case. In summary I said:

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website, and I’ve taken this into account here.

I’ve decided not to uphold Mrs H’s complaint, but for different reasons to those shared by the investigator with Mrs H and Madison.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn’t a set list of checks required of a lender, but it needs to ensure the checks are proportionate when considering matters such as the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer’s circumstances. So I’ve considered whether Madison completed reasonable and proportionate checks to satisfy itself that Mrs H would be able to make the repayments on each loan in a sustainable way.

Loan 1

As part of its checks Madison identified that Mrs H:

- had a mortgage of £29,000 costing £320 a month
- had a current account operating in credit
- had three credit cards with an outstanding balance of £5,000 at a monthly cost of £225
- had sometimes taken credit card cash advances
- had sometimes made only the minimum payment required on her credit cards
- had no county court judgements
- had two defaults totalling approximately £450 both settled in 2014

Given the above, the loan sum applied for, the term of the loan, the monthly cost of the loan and what Mrs H declared on her application was her monthly income and expenditure I'm satisfied that Madison's checks were proportionate and it did nothing wrong in granting this loan.

Loan 2

As part of its checks Madison identified that Mrs H:

- had a mortgage of £26,000 costing £320 a month
- still had a current account operating in credit
- still had three credit cards but with an increased outstanding balance of £5,350 and at an increased monthly cost of £260
- was over the credit limit on two of her credit cards and very close to it on the other
- had, since loan 1 was granted, taken further credit card cash advances
- had, since loan 1, made only the minimum payment required on her credit cards on numerous occasions
- had very recently taken a new loan, with an outstanding balance of £1,050, costing £50 a month
- had no county court judgements
- had two defaults totalling approximately £450 both settled in 2014

I appreciate that Mrs H had met all her loan 1 repayments and on time. But given the above shows that in a little over a year Mrs H had gone over two of her credit card limits and was very close to the limit on the other, had continued to take credit card cash advances, had made, on numerous occasions, only the minimum credit card payment required and had very recently taken out a new loan I'm not persuaded that Madison carried out proportionate checks before granting this loan. But this doesn't automatically mean that Madison made an unfair lending decision.

I've considered what Madison would likely have found out if it had completed proportionate checks.

In cases like this we look at bank statements for the three months prior to the credit application to decide what proportionate checks might have uncovered. Now I'm not saying Madison had to request bank statements, but it's a reliable way for our service to understand what Mrs H's financial position was at the relevant time.

However, despite two requests Mrs H hasn't provided bank statements for the three months prior to this loan application for our service's consideration.

Now I appreciate that Mrs H's testimony is that the borrowing was unaffordable, but the question I must consider is what Madison would have found out if proportionate checks had been completed. In the absence of the information already requested by our Investigator I'm unable to see what Madison may have found out had it completed proportionate checks, so, it follows that I can't reasonably say that Madison made an unfair lending decision in respect of this loan.

Neither party responded to my provisional findings by the date I gave for the same.

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.

As neither party has responded to my provisional findings I can confirm that I see no reason to depart from them and I now confirm them as final.

My final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 22 March 2024.

Peter Cook
Ombudsman