

Complaint

Mrs H 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 as it was provided at a time where she already had extensive debts and was therefore unaffordable.

Background

118 118 Money provided Mrs H with a loan for £3,000.00 in February 2022. This loan was due to be repaid in 36 monthly instalments of £142.75.

118 118 Money also provided Mrs H with a credit card. But we’ve separately considered that complaint and this decision focuses solely on Mrs H’s loan.

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

Mrs H 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.

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 Mrs H’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mrs H’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 Mrs H 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 Mrs H with a loan for £3,000.00 in February 2022. This loan was due to be repaid in 36 instalments of £142.75. 118 118 Money says it agreed to Mrs H'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 Mrs H could comfortably make the repayments she was committing to. On the other hand, Mrs H has said she was in financial difficulty.

I've carefully thought about what Mrs H and 118 118 Money have said.

The first thing for me to say is that 118 118 Money has provided the output of Mrs H's application. 118 118 Money searches appear to show that credit commitments at the time were relatively well maintained. For example, there were defaults recorded against her but these were from a number of years prior to this application. Crucially, according to the credit searches, Mrs H's unsecured debt total at the time of the application wasn't excessive either.

I accept that Mrs H's actual circumstances may not have been fully reflected either in the information she provided, or the information 118 118 Money obtained. And I'm really sorry to hear about the difficult financial situation she's experienced since taking out this loan. But even if I accept that 118 118 Money's checks ought to have gone further and extended into finding out more about Mrs H's actual living expenses, which 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 Mrs H has provided there isn't anything in it which shows that including her actual living expenses, rather than estimates, would have shown the 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 Mrs H's loan application.

Given the circumstances here, I don't think that 118 118 Money did anything wrong when deciding to lend to Mrs H - it carried out checks which, on the face of things, suggested the repayments were affordable. And, in any event, I don't think that obtaining further information would have prevented it from lending.

Overall and having considered everything, I don't think that 118 118 Money treated Mrs H unfairly or unreasonably when providing her with her loan. I appreciate this will be very disappointing for Mrs H. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding Mrs H's complaint, I would remind 118 118 Money of its obligation to continue exercising forbearance and due consideration (bearing in mind what it is now aware of) in the event that it intends to collect the remaining payments on the agreement and Mrs H is experiencing financial difficulty.

My final decision

For the reasons I've explained, I'm not upholding Mrs H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 15 April 2024.

Jeshen Narayanan
Ombudsman