

## The complaint

Mr J complains that Madison CF UK Limited trading as 118 118 Money was irresponsible in its lending to him.

## What happened

Mr J was provided with a £1,000 loan from 118118 Money in August 2021 and a credit card in November 2021. The limit on the credit card was initially £500 and then increased to £2,000 in October 2022. Mr J says he took out multiple cash withdrawals using the credit card and was only able to pay the minimum monthly repayments. He thinks 118118 Money acted irresponsibly by lending to him and says that he is now in severe financial difficulty.

118118 Money provided Mr J with a final response to his complaint dated 29 November 2023. It reviewed Mr J's loan application and didn't agree that the lending was irresponsible. Regarding the credit card, 118118 Money said that it had carried out the required checks and that the lending met its criteria. In response to the credit limit increase in October 2022, 118118 Money said it had carried out similar checks to those undertaken before the credit card was provided to establish whether the limit increase was affordable and appropriate. It didn't uphold the complaint but offered Mr J a goodwill gesture payment of £80.19 to be applied to his active credit card balance.

Mr J wasn't satisfied with 118118 Money's response and referred his complaint to this service.

Our investigator partially upheld this complaint. She thought the checks carried out before the loan and the credit card with the initial £500 credit limit was provided were reasonable and proportionate and she didn't uphold Mr J's complaint in regard to these. However, she thought that before the credit limit was increased to £2,000 further checks should have taken place. Had these happened she said they would have shown that Mr J was making frequent use of payday lenders to meet his credit commitments and other spending. She thought this raised concerns about Mr J's reliance on credit and whether the additional lending was responsible and sustainable. Because of this, our investigator recommended that all interest, fees, charges and insurances applied to balances above £500 after 25 October 2022 be removed.

118118 Money agreed with our investigator that Mr J's complaints about the loan and initial credit card lending shouldn't be upheld. But it didn't agree with the outcome regarding the credit limit increase in October 2022. It said that having checked Mr J's credit file there were no missed payments towards the loan or any other active or settled accounts and no accounts were in arrears or had missed payments or arrangements in place when the credit limit increase was offered. It accepted that Mr J's total debt balance had increased but said that his balance to limit ratio had decreased showing he had credit with increased limits but that he wasn't reliant on the new credit. It said Mr J's credit file didn't suggest he was in a cycle of debt and that he wasn't using the overdraft on his current account and in the six months leading up to the credit limit increase he hadn't taken out any cash advances on his credit card. It said its checks were proportionate to ensure the lending was affordable and as its checks didn't raise any concerns it wasn't required to request additional information.

Our investigator responded to 118118 Money's comments but as a resolution wasn't agreed, this complaint has been passed to me, an ombudsman, to issue a decision.

### *My provisional conclusions*

I issued a provisional decision on this complaint, the content of which is set out below.

*Mr J was provided with a loan and a credit card by 118118 Money. I have considered each of these separately.*

#### *118118 Money loan*

*Mr J was provided with a £1,000 loan in August 2021. The loan was repayable over 24 months with monthly repayments of just over £72. Through the application process, 118118 Money gathered information about Mr J's employment, income and residential status. Mr J declared a monthly income of £1,275 and that he was living with parents. A credit check was carried out and this showed that Mr J had debt totalling £1,212. His total loans were reported as £262 and he had a revolving credit limit totalling £300 of which he was using £4. Estimates were used for his outgoings.*

*Mr J's credit check reported some adverse data, with a delinquent account noted in the previous 12 months and a default in the previous 36 months. Looking through the report details these show that Mr J had previous defaults, but these were historic, and Mr J appeared to be maintaining his credit commitments at the time. Taking the credit results into account and noting the size of the loan and the repayments compared to Mr J's income, I find the checks carried out in this case were reasonable. As these suggested the loan was affordable, I do not uphold this part of Mr J's complaint.*

#### *118118 Money credit card*

*Mr J was provided with a credit card by 118118 Money in November 2021. The initial credit limit was £500. The credit card application was made after 118118 Money had provided the £1,000 loan and Mr J had maintained his repayments to that point.*

*Before the credit card was provided, information was gathered about Mr J's income, employment and residential status. He said he was employed full time with a monthly income of £1,528 and was living with parents. The monthly income amount was higher than Mr J had declared in his loan application, but I do not think this should have raised concerns – and while I do not think this amount needed to be verified, I note Mr J's bank statements support this income level.*

*A credit check was carried out which showed Mr J had total loans of £1,790 (this included the loan provided by 118118 Money) and revolving credit balances of £1,564. Mr J had increased his total revolving credit limit since his loan application and was utilising 85% of his new limit. The credit report showed that Mr J had one delinquent account in the previous 12 months and one defaulted account in the previous 36 months (same as at the time of the loan application) but he appeared to be maintaining his credit commitments at that time. Mr J had also taken out £250 in cash advances.*

*While Mr J's credit file did show some adverse data, I do not find this was such that the lending shouldn't have been provided or that further checks were needed. And noting the size of the credit limit provided compared to Mr J's income I find that the checks undertaken were reasonable. As these didn't suggest that the lending was unaffordable, I do not find I have enough to say that 118118 Money acted irresponsibly by providing the credit card with an initial credit limit of £500.*

*In October 2022, 118118 Money increased Mr J's credit limit to £2,000. This was a substantial increase and so it was important that 118118 Money gathered enough information to understand whether the additional lending would be sustainably affordable for Mr J.*

*118118 Money has said that before the credit limit was increased it carried out similar checks to those undertaken when the credit card was provided. I have looked at the credit file information that was received and this showed that Mr J's total loan balances had increased since the previous year and so had his total revolving credit limits. However, while his revolving credit limits had increased his total balances were lower than the previous year and his utilisation was 30%. Mr J had no delinquent accounts in the previous 12 months, but he had opened six new accounts in the previous six months and had continued to take out cash advances (£310 in the previous 12 months).*

*While Mr J's credit file did show an increase in his indebtedness, it also showed he was maintaining his repayments and he hadn't missed any repayments on the 118118 Money loan. So, while Mr J's credit file did have some adverse data, it also suggested that Mr J was managing his credit commitments. And while he had increased his indebtedness, and had access to higher credit limits, he wasn't operating at his limits. So, on balance, I do not think that the credit check results alone meant that the lending shouldn't have been provided.*

*However, given the substantial increase in the credit limit I think it would have been reasonable to have verified Mr J's income and to have asked him about his expenses. I do not find that 118118 Money was required to request copies of Mr J's bank statements but I have used these to assess what information would likely have been identified had further questions been asked.*

*Looking at Mr J's income for the months leading up to the credit limit increase, this averaged around £1,640. Mr J was making payments towards his existing credit commitments and limited other expenses (such as media/phone contracts) as well as paying for food. However, taking this into account I do not find that it shows that the additional credit limit was unaffordable for Mr J.*

*Therefore, in conclusion, while I think it would have been reasonable for 118118 Money to have got a clear picture of Mr J's income and expenses before the credit limit increase was applied, I do not find that had it asked further questions about this it would have shown the lending to have been irresponsible. Therefore, I do not uphold this complaint.*

No new information was provided in response to my provisional 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

As I set out in my provisional decision, I think the checks carried out before the 118118 Money loan was provided were reasonable and I do not find that these suggested the loan was unaffordable.

Regarding the 118118 Money credit card, I think the checks carried out before this was provide with the initial £500 credit limit were reasonable and I do not find these raised concerns about the affordability of the credit. However, I think that further checks should have been carried out before the credit limit was increased to £2,000. But, having looked through the information provided I do not find that this showed that further checks would have identified the additional credit as unaffordable for Mr J.

As no new evidence was provided in response to my provisional decision my conclusions haven't changed and for the reasons I have set out, I am not upholding this complaint.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 17 June 2024.

Jane Archer  
**Ombudsman**