

The complaint

Mr B says Madison CF UK Limited, trading as 118 118 Money, irresponsibly lent to him.

What happened

Mr B took out three instalment loans from 118 118 Money and later complained it would have known they were unaffordable had it checked his situation properly. 118 118 Money upheld his complaint about the first loan. Unhappy with this outcome Mr B asked this service to review loans 2 and 3. He also took out a credit card from 118 118 Money - that lending decision has been reviewed as a separate complaint.

Loan 2 was for £1,632.04 over 24 months and it was taken out in December 2019. It was used in part to repay Mr B's first loan. The monthly repayments were £99.94. Loan 3 was for £2,148.67 over 24 months and it was taken out in July 2020. The monthly repayments were £130.66. It was used in part to repay Mr B's second loan.

Mr B says 118 118 Money kept lending to him leaving him in an uncontrollable cycle of borrowing to settle previous loans.

Our investigator did not uphold Mr B's complaint. He said 118 118 Money's checks for both loans were proportionate and it made fair lending decisions based on the information it gathered.

Mr B disagreed with this assessment and asked for an ombudsman's review. He said if loan 1 was deemed to be irresponsible lending, then loans 2 and 3 have to be as he wouldn't have had loans 2 or 3 without loan 1. He applied pro-actively for loan 1 but for loans 2 and 3 118 118 Money approached him - even though his previous loans were still being repaid.

I reached a different decision to the investigator so I issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to send any comments or new information by 3 July 2024.

Extract from my provisional decision

118 118 Money has provided evidence to show that before lending it asked for some information from Mr B. It asked for his monthly income, his housing costs and his general living costs. It says it sense checked these against reasonable averages, it hasn't confirmed if it then made any adjustments. It carried out a full credit check to understand Mr B's credit history and his existing credit commitments. Based on these checks 118 118 Money thought it was fair to lend.

I am not persuaded these checks were proportionate. I say this as this was repeat lending and the income and expenditure assessment from loan 1 had shown Mr B did not have the disposable income to afford that loan, despite 118 118 Money approving it. So as both these loans were top up loans and Mr B was still repaying loan 1 when loan 2 was given I think 118 118 Money ought to have completed a fuller financial review.

In cases like this we look at bank statements from three months prior to the application. I am not saying 118 118 Money had to do exactly this but it is a reliable way for me to understand what better checks would most likely have shown.

In the months prior to loan 2 the statements show Mr B's finances were not stable – he was gambling heavily on a daily basis and using short-term high-cost credit. And this situation had not changed prior to loan 3. So had 118 118 Money completed better checks I think it, as a responsible lender, would not have extended loans 2 and 3 to Mr B. I say this as it would not have had the assurances it needed that Mr B would be able to repay the loans sustainably – so without borrowing to repay or suffering some other adverse financial consequences.

It follows I currently think 118 118 Money was wrong to give loans 2 and 3 to Mr B.

I then set out what 118 118 Money would need to do to put things right.

118 118 Money responded saying it had no further comments to make. Mr B did not reply.

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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

As neither party submitted any new evidence or comments for me to consider I have no reason to change the findings or outcome in my provisional decision.

It follows, for the reasons set out above, I find 118 118 Money was wrong to give loans 2 and 3 to Mr B.

Putting things right

It's reasonable for Mr B to have repaid the capital amount that he borrowed. But he has paid interest and charges on loans that shouldn't have been given to him. So he has lost out and 118 118 Money needs to put things right.

So 118 118 Money should:

- For loans 2 and 3 add up the total amount of money Mr B received as a result of been given both loans. The repayments Mr B made should be deducted from this amount.
- If reworking Mr B's loan accounts results in him having effectively made payments above the original capital borrowed, then 118 118 Money should refund this amount along with 8% simple interest applied to the overpayments from the date the overpayments would have arisen to the date of settlement*.
- If reworking Mr B's loan accounts result in there being a capital balance outstanding 118 118 Money should agree an affordable repayment plan with Mr B, remembering to treat him fairly, and with forbearance and due consideration.
- Remove any adverse information recorded on Mr B's credit file in relation to the loans once the capital has been repaid.

*HM Revenue & Customs requires 118 118 Money to deduct tax from this interest. 118 118 Money should give Mr B a certificate showing how much tax it's deducted if he asks for one. If it intends to apply the refund to reduce an outstanding balance it must do so after deducting the tax.

My final decision

I am upholding Mr B's complaint. Madison CF UK Limited, trading as 118 118 Money, must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 2 August 2024.

Rebecca Connelley
Ombudsman