

The complaint

Ms W complains that Madison CF UK Limited trading as 118 118 Money (Madison) irresponsibly enter her across ten loans from February 2016 until September 2020.

What happened

I set out the background to this complaint and my initial findings in my provisional decision dated 28 June 2024 (below)

Ms W took a total of ten loans between February 2016 and September 2020, set out below.

	<i>Ref</i>	<i>Date Taken</i>	<i>Date repaid</i>	<i>Loan capital</i>	<i>Monthly repayment</i>	<i>Outcome</i>	<i>Status</i>
1	467884	18/2/2016	7/9/2016	£2,000	£152.41	Not upheld	Accepted by both parties
2	720491	7/9/2016	30/9/2016	£2,382.14	£185.48	Not upheld	Accepted by both parties
3	744031	8/10/2016	22/4/2017	£3,500	£194.33	Upheld	In dispute
4	886211	22/4/2017	22/11/2017	£3,404.77	£191.73	Upheld	In dispute
5	986164	22/1/2017	23/5/2018	£4,115.60	£231.58	Upheld	Accepted by both parties
6	2047406	22/5/2018	20/11/2018	£4,911.77	£276.76	Upheld	Accepted by both parties
7	2160808	20/11/2018	21/5/2019	£4,951.07	£279.14	Upheld by Madison	Accepted by both parties
8	2368962	21/5/2019	9/2/2020	£4,981.90	£280.93	Upheld	Accepted by both parties
9	2580916	26/02/2020	5/9/2020	£2,900.00	£232.02	Upheld	Accepted by both

							<i>parties</i>
10	2647363	21/9/2020	Settled but unclear when.	£1,350.00	£103.06	Upheld by Madison	Accepted by both parties

Ms W complains that Madison lent to her irresponsibly. She says the loans were high in volume, frequency and interest and she struggled to repay them. She complained to them and later to this service about the loans.

Madison initially upheld her complaint in part and said they shouldn't have granted loan seven or loan ten but didn't agree the other loans were irresponsibly lent.

Our Investigator looked into this for Ms W and found that all loans apart from one and two should be upheld. But in addition to loans seven and ten, that Madison had already upheld, loans three, four, five, six, eight, and nine were irresponsibly lent and so should also be upheld. The redress that he recommended was:

- If applicable Madison should buy back any of Ms W's accounts that it had sold on.

a) Add together the total of the repayments made by Ms W towards interest, fees and charges on all upheld loans without an outstanding balance, not including anything you have already refunded.

- b) Calculate 8% simple interest on the individual payments made by Ms W which were considered as part of "A", calculated from the date Ms W originally made the payments, to the date the complaint is settled.*

- c) Remove all interest, fees and charges from the balance on any [upheld outstanding loans], and treat any repayments made by Ms W as though they had been repayments of the principal on all outstanding loans. If this results in Ms W having made overpayments then you should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled. You should then refund the amounts calculated in "a" and "b" and move to step "e".*

- d) If there is still an outstanding balance then the amounts calculated in "a" and "b" should be used to repay any balance remaining on outstanding loans. If this results in a surplus, then the surplus should be paid to Ms W. However, if there is still an outstanding balance then you should try to agree an affordable repayment plan with Ms W. You shouldn't pursue outstanding balances made up of principal you have already written-off.

- e) Remove any adverse information recorded on Ms Ws' credit file in relation to loans three – six, eight and nine.

Ms W accepted the investigator's findings.

Madison have accepted the investigators findings on all but loans three and four. On these loans they have said they think the lending was sustainable. The matter has now been passed to me to decide.

What I've provisionally 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.

I think it's important to firstly explain I've read and taken into account all of the information provided by both parties, in reaching my decision. If I've not reflected something that's been said in this decision it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is.

We've explained how we handle complaints about unaffordable lending on our website. And I've used this approach to help me when deciding Ms W's complaint.

Madison needed to make sure it didn't lend irresponsibly. In practice, what this means is it needed to carry out proportionate checks to be able to understand whether Ms W could afford to repay any credit she was given.

In this decision I will only be making a finding about loans three and four as these are the only ones that remain in dispute between the parties.

Loan Three

Ms W took this loan on 8 October 2016, just a week after settling loan two and a month after taking it out.

Madison say they carried out the standard industry checks to verify Ms W's income and expenditure.

There is no dispute that Ms W's income at the time of the lending was £1,868. Madison say they calculated Ms W's living costs at the time to be £858 and her other commitments to be £193.25, leaving Ms W a disposable income of £816.75 before the loan and £622.42 after the loan repayments are taken into consideration.

I've looked at Ms W's statements from the time and her credit file and I agree that Ms W's living costs including her essential bills and her share of the two mortgage payments appears to have been in the region of £860.

I've also looked at what Madison would have been able to see from Ms W's credit file at the time in terms of her other commitments at the time of her application for the loan.

I can see that she had three credit card accounts with a combined balance of £800, and a home credit loan with a monthly payment of £151. Again, I agree that her monthly credit commitments excluding the new loan were around £190.

In addition, I can see that Ms W had also taken a new loan for £5,000 with a different credit provider with a monthly payment of £203. But this was taken just days before

her application to Madison and wouldn't have been showing on her credit report at the time, so I wouldn't have expected Madison to take this into account unless Ms W had specifically told them about it, which I haven't seen any evidence to support that she did. Therefore, I think it's reasonable for them to have taken the information available to them at the time of the application into account and in doing this – it shows Ms W would have had a disposable income of around £620 after paying her living costs and all known credit commitments.

I do think Madison should have thought about how quickly Ms W was re-entering into another loan agreement having only settled her previous loan with them a week before, but I don't think this alone would have been cause to alert them to the loan potentially being unaffordable and so I'm satisfied that loan three was sustainable and not lent irresponsibly.

Loan Four

Ms W took this loan on 22 April 2017. It was partially used to settle loan three, with the remaining £750 being paid to Ms W's bank account.

I've applied the same approach here and can see Ms W gave the following information in her application: Income: £2,300, outgoings: £911 and no credit commitments.

Madison have told us that they used the standard industry checks to verify Ms W's income and expenditure and they found the following: Income £2,300, Outgoings £893, credit commitments £474 leaving her a disposable income of £933 before the loan repayment and around £740 after the monthly payment.

I've looked at the information from the time, including Ms W's bank statements – these show that her average income for the three months prior to her application was £2,439. I agree that her essential outgoings were around £900.

But having thought about the credit commitments I think it was clear that Ms W's financial situation was worsening by the time she applied for loan four. I say this because her credit file shows that at the time she applied for this loan she had:

- five credit cards with a combined outstanding balance of £1,748 against a combined credit limit of £ 1,800
- two mail order accounts with a combined balance of £400 against a combined credit limit of £400
- A loan of £5,000 that she had taken in the same week as taking loan three -
A home credit account with a monthly payment of £151

My role here is to say if I think Madison performed proportionate checks before agreeing to lend to Ms W. And if I don't, what I think would have happened if they had.

In this case I don't think Madison have shown they did proportionate checks for this particular loan. So I need to consider what would have happened if they had done further checks – for example asking to see Ms W's bank statements at the time.

From checking the statements from the three months before this loan was taken, I can see there was other money coming into the account aside from her and her husband's main incomes, so there may have been other income sources available to Ms W increasing her affordability. And she was comfortably meeting her payments towards her credit commitments each month, and her account was in credit each month before receiving her salary. Given this I'm satisfied that even if Madison had completed proportionate checks in this case, it's likely they still would have agreed to this particular loan. And I can't fairly say that would have been irresponsible.

As I've already noted I have not considered loans one and two or five to ten as these have already been agreed on by both parties. And so I make no findings in respect of them, other than to say Madison should settle loans five to ten as it has agreed to – in line with the investigator's findings.

My provisional decision

For the reasons set out above, I'm currently minded to partially uphold this complaint.

I invited both parties to let me have anything in response they thought was relevant.

Ms W let us know that she accepted my provisional findings.

Madison didn't respond, this was expected as it had previously agreed to settle loans five to ten in their earlier response to this service.

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 made any further representations, I see no reason to depart from my provisional decision that I partially uphold the complaint.

Putting things right

Madison should carry out the following remedy for loans five to ten, as they have already agreed to:

- If applicable Madison should buy back any of these accounts that they had sold on.
 - a) Add together the total of the repayments made by Ms W towards interest, fees and charges on the accounts without an outstanding balance, not including anything you have already refunded.
 - b) Calculate 8% simple interest* on the individual payments made by Ms W which were considered as part of "A", calculated from the date Ms W originally made the payments, to the date the complaint is settled.
 - c) Remove all interest, fees and charges from the balance on any [upheld outstanding loans], and treat any repayments made by Ms W as though they had been repayments of the principal on all outstanding loans. If this results in Ms W having made overpayments then they should refund these overpayments with 8% simple interest* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is

settled. They should then refund the amounts calculated in “a” and “b” and move to step “e”.

- d) If there is still an outstanding balance then the amounts calculated in “a” and “b” should be used to repay any balance remaining on outstanding loans. If this results in a surplus, then the surplus should be paid to Ms W. However, if there is still an outstanding balance then they should try to agree an affordable repayment plan with Ms W. They shouldn't pursue outstanding balances made up of principal they have already written-off.

- e) Remove any adverse information recorded on Ms Ws' credit file in relation to loans three – six, eight and nine.

My final decision

For the reasons set out above, I uphold this complaint and I require Madison CF UK Limited trading as 118 118 Money to carry out the actions as set out under the 'Putting things right' section of this decision

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 12 September 2024.

Amber Mortimer
Ombudsman