

The complaint

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

What happened

Mr R opened a credit card with 118 118 Money on 3 March 2022. He was given a £600 credit limit. This was increased to £2,000 on 25 November 2022 and to £4,000 on 16 June 2023. He complained to 118 118 Money saying it did not complete the correct affordability checks. It upheld his complaint about the second limit increase. Unhappy with this outcome Mr R came to our service. He wants a refund of all interest on the account from the date of opening and any adverse markers removed from his credit file.

Mr R says he has struggled to repay the interest on his credit card and how much he was going to have to pay back was not explained correctly.

118 118 Money says it completed proportionate checks that showed Mr R could afford the credit at the point of application and when it first increased the limit. It has already refunded the interest applied as a result of the second limit increase to reduce Mr R's balance.

Our investigator did not uphold Mr R's complaint. She said the lender's checks were reasonable and showed Mr R could afford the credit he was given in March and November 2022.

Mr R disagreed and asked for an ombudsman's review so the case was passed to me.

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.

118 118 Money will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint about unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

To decide if 118 118 Money lent responsibly I need to consider if its checks were proportionate; if not, what would better checks most likely have shown; then did it make fair lending decisions; and finally did it treat Mr R unfairly in some other way.

For clarity – this decision covers the account opening and first limit increase as 118 118 Money has already upheld Mr R's complaint about the second limit increase in June 2023.

I can see 118 118 Money reviewed certain information before opening the account for Mr R and again before increasing his limit in November 2022. It asked for his income and verified this externally. It asked about his housing costs and again verified this using national statistics – it used the higher figure in its analysis. It used statistics again to estimate his living expenses. It carried out a credit check to understand his existing commitments and

credit history. From the checks combined 118 118 Money calculated that Mr R had sufficient monthly disposable income to afford the credit on both occasions.

I think these checks were proportionate given the stage in the lending relationship, the amount of credit involved and the initial results. And I think 118 118 Money made fair lending decisions based on the information it gathered. I'll explain why.

Account opening with £600 limit

118 118 Money learnt that Mr R's income was £2,178, his housing costs were £317.68, his living costs were £603.21, his credit commitments were £617.60 leaving him with £639.31 disposable income each month. It estimated he would need £56 of that to sustainably repay this card which I find to be reasonable. When it checked Mr R's credit file it saw he had debt of £21,611 and all his active accounts were up to date. The bulk of this debt was on a vehicle hire purchase agreement. He had some missed payments in the previous year but these accounts were now up-to-date/settled. He had one default that he'd settled in March 2021 but I don't think that was a reason not to lend given the amount of credit involved.

So I think it was fair for 118 118 Money to open this account for Mr R.

Credit limit increase to £2,000

118 118 Money learnt that Mr R's income was £2,178, his housing costs were £317.68, his living costs were £703.49, his credit commitments were £670.39 leaving him with £486.44 disposable income each month. It estimated he would need £140 of that to sustainably repay this card after the limit increase which I find to be reasonable. When it checked Mr R's credit file it saw his debt had decreased to £18,416 and all his active accounts were up to date. Again, the bulk of this debt was on a vehicle hire purchase agreement. There was one missed payment in the last 12 months but this alone would not be a reason not to increase Mr R's limit. At this stage Mr R was managing his account well, frequently paying more than the contractual minimum. There were no indications that Mr R was having financial difficulties.

It follows I think it was fair for 118 118 Money to increase Mr R's limit.

Mr R says it was not explained correctly how much he would have to repay. I have reviewed his credit agreement and the summary box he received when he opened the account. They make clear the interest rate, the minimum payment, how his payments would be allocated to his account and the consequences of missing payments. I have seen no evidence there are any inaccuracies in this information. So I cannot uphold this complaint point.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think 118 118 Money lent irresponsibly to Mr R or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

I am not upholding Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 30 September 2024.

Rebecca Connelley
Ombudsman