

The complaint

Mr K complains that Madison CF UK Limited trading as 118 118 Money unfairly recorded a default on his credit file.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

Mr K had a loan with 118 118 Money. During the pandemic, the loan fell into arrears. 118 118 Money approved a payment holiday for several months and went on to agree a payment arrangement whereby Mr K would pay £20 a month instead of the contractual payment of £185. Due to the difference between the arrangement and contractual monthly payment, arrears continued to accrue on Mr K's loan.

On 8 October 2021 118 118 Money sent Mr K a default notice that said he needed to make a payment to clear arrears by 29 October 2021. Shortly before that date Mr K spoke with an agent at 118 118 Money who advised he could make the payment on or by 29 October 2021. Mr K made the payment given in the default notice on 29 October 2021 and has told us he thought that would mean the default wouldn't be recorded.

118 118 Money says it took the decision to default Mr K's account as he didn't make the payment by 29 October 2021, in line with the default notice it sent. Mr K went on to raise a complaint and 118 118 Money sent him a final response. 118 118 Money didn't agree it had acted unfairly by applying a default to Mr K's credit file and didn't uphold his complaint.

An investigator at this service looked at Mr K's complaint. They accepted that an agent at 118 118 Money's agent had told Mr K he could pay on 29 October 2021 but didn't think it had acted unfairly overall. Mr K didn't agree and said he'd followed 118 118 Money's instructions and been advised that if he made the payment no default would've been applied. As Mr K didn't accept the investigator's view, his complaint has been passed to me to make a decision.

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've looked at Mr K's loan history and contact with 118 118 Money. I can see that Mr K experienced financial difficulties as a result of how his work was impacted by the pandemic and sought support from 118 118 Money. Payment holidays were agreed for a limited period, in line with industry guidance. And 118 118 Money agreed to accept partial payments under an arrangement when he was unable to make them in full. In my view, 118 118 Money made treated Mr K fairly when he was experiencing financial difficulties.

I think it's fair to note that even though 118 118 Money agreed a payment arrangement, arrears continued to accrue on the loan. That's because the contractual monthly payment

wasn't being made. As a result of the arrears, 118 118 Money sent Mr K a default notice. That said he needed to make a payment to clear the arrears by 29 October 2021. It's clear Mr K wanted to avoid the default. 118 118 Money's contact notes show he spoke with an agent on 25 October 2021 and they noted he would make the payment on or before 29 October 2021. I accept that when Mr K called back on 29 October 2021 it was with the expectation that the payment he made would stop the default process.

I agree that the call handler Mr K spoke with on 25 October 2021 should've been clear in explaining he needed to pay before 29 October 2021. I've considered how the default has impacted Mr K and whether it would be fair to tell 118 118 Money to amend his credit file and reinstate the loan as a result of the call he had on 25 October 2021.

I can see how disappointed Mr K was when he found out the default would still be recorded. But, looking at Mr K's contact with 118 118 Money in the weeks and months that followed, he explained financial difficulties were ongoing. Payments of £20 a month were made and others missed. So whilst I agree that Mr K wasn't given the right information, I think it's fair to say it's likely his account would've most likely closed at default in the months that followed for similar reasons. In my view, Mr K's account is in broadly the same position. So whilst I agree 118 118 Money did likely make a mistake during Mr K's call on 25 October 2021, I haven't been persuaded it would be fair to tell it to remove the default.

With that being said, it's clear the call on 25 October 2021 did cause Mr K to believe he had an extra day to pay. And finding a substantial sum to clear arrears only to have the account default anyway was clearly very disappointing and upsetting. In my view, it would be fair for 118 118 Money to recognise the distress and inconvenience caused to Mr K by paying him £200. Based on the information I've seen, I intend to uphold Mr K's complaint and direct 118 118 Money to pay him £200.

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision. Mr K responded and said that if the complaint was being upheld we should tell 118 118 Money to remove the default from his credit file which was the focus of his complaint. Mr K said he was told to make a payment on or before a particular date and that he followed instructions. Mr K asked me to relook at the decision and consider telling 118 118 Money to remove the default. We didn't hear back from 118 118 Money.

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.

I understand Mr K's view that 118 118 Money unfairly recorded a default despite making a payment to clear the arrears as directed. But in my provisional decision I noted that Mr K made payments of £20 to 118 118 Money in the months that followed the default, with some being missed. I felt this strongly indicated that Mr K's circumstances around this time meant the account would likely have defaulted in any case. I've looked back at 118 118 Money's contact notes with Mr K and can see that after the default was applied he confirmed financial difficulties were ongoing and that he was able to make payments of £20 a month. But, that was substantially less than the contractual monthly payment Mr K would've had to maintain to avoid the account moving to default, despite having cleared the existing arrears. I'm very sorry to disappoint Mr K but I still think his account would most likely have defaulted which means he's in broadly the same position.

Whilst I agree that 118 118 Money made mistakes, I haven't been persuaded to tell it to remove the default from Mr K's credit file. I remain of the view that 118 118 Money caused

Mr K an unreasonable level of distress and inconvenience. I've considered everything Mr K's said, but I haven't been persuaded to change my view of how to fairly resolve his complaint. I still think 118 118 Money should pay Mr K £200 for the distress and inconvenience caused, for the same reasons.

My final decision

My decision is that I uphold Mr K's complaint and direct Madison CF UK Limited trading as 118 118 Money to pay him £200 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 28 March 2023.

Marco Manente
Ombudsman