

The complaint

Mr T complains about the administration of his loan and credit card accounts that he holds with Madison CF UK Limited trading as 118 118 Money.

What happened

Mr T entered into a loan agreement for £2,000 with Madison CF UK Limited, trading as 118 118 Money ("118 118") in April 2021. The terms of the loan were that Mr T would repay a total of £3,192.12 over 36 months with monthly payments of £88.67. Mr T also holds a credit card account with 118 118.

Mr T contacted 118 118 in June 2022 asking to reduce his payments to both accounts as he was struggling financially. 118 118 agreed to a long-term payment plan of £20 for 24 months, starting on 1 July 2022.

Mr T complained to 118 118 shortly afterwards as he'd noticed that they'd taken higher payments from him for his credit card account. 118 118 apologised saying that they should have told Mr T that the direct debit in place would take the minimum amount due each month, rather than the lower figure of £20. 118 118 refunded the amount they'd overcharged Mr T and offered him £150 for the inconvenience he'd been caused. They also said they'd reset the payment plan as agreed.

Mr T then noticed that 118 118 had recorded a default on his credit file in relation to the loan. He complained to 118 118 about this and they said that they were entitled to record this.

Our investigator looked into the issue surrounding the default. He felt that 118 118 was entitled to record this on Mr T's credit file but noted that they had only told him that the account might default if he broke the payment plan. Our investigator recommended that they pay Mr T £75 for the distress and inconvenience this caused him. He also said that the offer 118 118 had made in respect of the overpayments to the credit card was fair.

118 118 didn't agree that they should pay Mr T £75 as they felt that they had followed the appropriate process in defaulting the account. Mr T also didn't agree and said that he would have made alternative arrangements with 118 118 or his other creditors, had he known the account would be defaulted.

As agreement couldn't be reached between the parties, Mr T's complaint has been passed to me for a 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.

118 118 accepts that they overcharged Mr T on his credit card account. Their offer to refund Mr T for the extra amounts they took, and to pay him £150 compensation for distress and inconvenience, is fair in my view. 118 118 should arrange to pay Mr T these amounts if they

haven't already done so. I note that Mr T said to our investigator that 118 118 may have overcharged him again in relation to this account. Mr T should contact 118 118 about that and, if he wishes, he can bring the matter to us if he complains to them about this and is unhappy with their response.

In relation to the loan, the issue here is whether it was reasonable for 118 118 to default the account and record that on Mr T's credit file.

118 118 was obliged to treat Mr T fairly and with forbearance when he fell into financial difficulties. I've listened to the call Mr T had with them in June 2022. In that, Mr T explained that he couldn't afford to pay the loan repayments (and indeed the required credit card payments) and asked for a payment plan. Mr T told the customer representative that he could only afford to pay £20 each month towards the loan and that he wanted the plan in place for 42 months as he didn't know if his situation would improve.

The customer representative then went through Mr T's income and expenditure with him, and they agreed that his expenditure was higher than his income. Initially, the customer representative told Mr T that they couldn't set up a repayment plan as he had no disposable income and offered to refer him to a debt advice charity. Mr T then said he would speak to other creditors to reduce the amounts he was paying 118 118 so he could pay something to them. From that, Mr T said he could pay £20 each month and asked for this to be set up over 56 months. However, as the term of the loan only had 24 months to run, it was agreed that the payment plan would be set for that period of time.

118 118 then told Mr T that his account would be defaulted if he broke the payment plan. And that as he was in arrears, this would have a negative impact on his credit file.

However, 118 118 then sent Mr T a default notice in September 2022 and subsequently defaulted Mr T's account.

Mr T had paid £20 each month as agreed and hadn't broken the plan by the time the default notice was sent and when 118 118 subsequently defaulted the account. So, I can understand why he was upset by 118 118 taking that action. I find that 118 118 should have been clearer about the consequence of entering into the long-term payment plan when they arranged to set this up. The customer representative only mentioned the account defaulting in the context of the plan being broken. However, Mr T didn't break the plan.

It doesn't necessarily follow though that 118 118 weren't entitled to default the account even if they should have been clearer about the possibility of this. And, having considered the matter, I find that it was entitled to do this. Mr T clearly was in long-term financial difficulties as he'd asked to set up a £20 plan over several years. This wasn't therefore a temporary arrangement. The customer representative wasn't initially intending to set up a plan because Mr T had no disposable income. In which case, the only likely option at the time would have been to default the account. It was only because Mr T insisted on paying something towards the debt that the plan was set up. I understand why Mr T wanted to do this rather than not pay anything as he clearly wanted to continue paying towards what he owed.

However, because of the nature of Mr T's financial difficulties and the likelihood this would continue for some time, I think it more likely than not that the account was always going to default. I'm not persuaded that Mr T would have been able to prevent that and the knock-on effect of trying to do so likely could have led to a similar situation occurring with his other creditors. Mr T was paying significantly less than the required monthly contractual payments and would have been doing so for a considerable period of time. He was also sent a default letter informing him of 118 118's intention to default the account in the event of him not clearing the arrears. Mr T says that he was told to ignore any regulatory letters he received

but I've not seen enough evidence to support that. The customer representative didn't tell him to do this in the phone call I've listened to, rather he told Mr T that these would continue to be sent to him.

So, in conclusion, I find that 118 118 could and should have been clearer about the likelihood of Mr T's account defaulting. So, I will be directing 118 118 to pay Mr T compensation for the distress and inconvenience this caused him.

However, I also find that they did try to help Mr T when he contacted them, and I don't think the default could have been prevented. So, I will not be awarding anything further or directing 118 118 to take any more action.

Putting things right

I find that 118 118 should pay Mr T £75 for the distress and inconvenience he was caused by the lack of clarity given by them about the potential for his account to be defaulted.

My final decision

My final decision is that I uphold this complaint in part and direct Madison CF UK Limited trading as 118 118 Money to take the action I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 8 September 2023.

Daniel Picken
Ombudsman