

## **The complaint**

Miss A complained that Madison CF UK Limited, trading as 118 118 Money (“Madison”) issued a notice of default and then unfairly registered the default on her credit file. She also complained that Madison didn’t offer appropriate support when she had financial difficulties.

## **What happened**

In November 2020, Miss A took out a loan with Madison of £5,000.00 over 36 months. The interest charge was £3,163.36, making the total amount repayable £8,163.36. The contractual monthly payment was £226.76.

The first payment became due in January 2021, and Miss A made the first four payments on the loan on time. At the end of April 2021 Miss A contacted Madison to say that she was having financial difficulties. She initially asked for a payment holiday, but agreed with Madison that she would pay £50 each month for two months and the arrangement would be reviewed after that. Miss A said she felt the Madison representative wasn’t empathetic about her situation.

In May 2021 she paid £50 as agreed. She was due to pay the same amount in June 2021, but the direct debit failed, although it’s not entirely clear why that happened, and Miss A said she wasn’t told about it.

Madison issued a notice of default on 9 July 2021 and subsequently registered the default on Miss A’s credit record. Miss A contacted Madison on 14 July, at which point she raised her complaint.

Miss A thinks that Madison should remove the default on her credit file, and she would also like an apology for her treatment by the Madison representatives.

Miss A has also made reference to the overall affordability of the loan and questioned whether Madison had lent responsibly. However, this wasn’t the subject of her original complaint to Madison, and it hasn’t had an opportunity to answer that point, so I am not considering it in this decision. If Miss A remains unhappy on this point she should contact Madison.

When Miss A complained to Madison, it responded to say that it did not uphold her complaint. So she brought the complaint to this service. Our investigator looked onto it but thought that the complaint shouldn’t be upheld. Miss A was unhappy with this and asked that the complaint be referred to an ombudsman for review.

I issued a provisional decision in May 2023, in which I explained that I proposed to uphold part of Miss A’s complaint - I wasn’t satisfied that Madison had acted fairly in registering the default on Miss A’s credit record, so my conclusion was that the default should be removed. Miss A responded to say that she agreed with my provisional decision. Madison did not respond.

## 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've decided to uphold the part of Miss A's complaint relating to the registration of the default. I'll explain why.

In my provisional decision, I set out my findings as follows:

*“Madison sent in recordings of the calls between it and Miss A, along with the loan documentation and a statement showing the transactions to date. It also sent in a list of its attempts to contact Miss A. and a copy of the email sent to her after the payment arrangement was agreed in April 2021.*

*Having listened to the call from April 2021, when Miss A told Madison about her financial difficulties, I think the representative was reasonable in offering the initial repayment arrangement, with this being reviewed after two months. The representative explained that the option of a payment holiday was not available – the requirement to offer that particular type of support ended on 31 March 2021, in line with the Financial Conduct Authority's (FCA) Covid-19 guidance. Miss A was unhappy that a payment arrangement would be reflected on her credit record, but lenders are required to report accurate information to the credit reference agencies.*

*The representative went through Miss A's income and expenditure, which showed that, at that point, her outgoings exceeded her income. Miss A said she would be supported by her family, after which the representative agreed with Miss A that a reduced monthly payment of £50 could be made for two months. Miss A would then need to call Madison at the end of the two months to review her position.*

*It's clear that Miss A was distressed about the situation, but I think the representative explained the arrangement and next steps clearly, and an e-mail sent to Miss A the same day confirmed the position. Lenders are required to treat customers with forbearance and due consideration when financial difficulties arise, and based on the call recording and email, I'm satisfied that Madison did so in offering a reduced payment for two months with the position to be reviewed after that.*

*However, I'm not satisfied that Madison acted fairly in registering the default on Miss A's credit record.*

*Looking at the list of transactions, I can see that, at the end of June 2021, Miss A had arrears of £403.52 – equivalent to just under two monthly payments. Miss A made the full monthly payments of £226.76 in July, August, and September 2021. She missed the October payment, but after resuming payments in November, she then cleared the arrears of £630.28 (just under three monthly payments) in full in January 2022. Miss A missed a further payment in April 2022, although she told us she tried to make the payment via her debit card without success, but in any case this seems to have been made up in the following month and the account has remained up to date since then.*

*I've considered what the Information Commissioner's Office (ICO) says about what should be reported. The ICO issued a document called “Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies”. I consider it reasonable to rely on this, as, when determining a complaint, one of the factors I'm required to take into account is good industry practice. In my view, these principles constitute good industry practice in this area.*

*Principle 4 of this document says “If you fall into arrears on your account, or you do not keep to the revised terms of an arrangement, a default may be recorded to show that the relationship has broken down.” This section of the document goes on to say that “As a general guide, this may occur when you are 3 months in arrears, and normally by the time you are 6 months in arrears.” It also says “If an arrangement is agreed ..... a default would not normally be registered unless the terms of that arrangement are broken”.*

*As I explained above, the highest level of arrears on Miss A’s loan account was just under three monthly payments.*

*I’ve considered the point about an arrangement having been broken, and I accept that Miss A missed the second payment of £50 – due in June 2021 - under the arrangement she agreed with Madison, although it’s not clear why the payment didn’t go through. The information provided by Madison showed that it tried to contact her on at least two occasions by phone, and on other occasions by text, although Miss A said she wasn’t aware of these attempts, or that the payment had failed. It also seems that Miss A didn’t contact Madison in June 2021 as she should have done. However, Miss A made the full contractual payment on 1 July – eight days before the notice of default was issued – which suggests that her financial position may have improved. But I can’t see that Madison attempted to contact her again before issuing the notice, to review her finances.*

*Miss A then called Madison on 14 July in response to the notice of default. She was clearly very unhappy about the situation, but I think the representative could have done more to explain clearly the content of the notice and its implications. There was a brief reference to a new arrangement, but it wasn’t clear what might have been possible (and over what period), and at this point in the call Miss A was very frustrated, saying that she couldn’t do anything more. I also note that Miss A said she’d had some mental health issues, but this was not explored further. The representative talked about ‘collection activities’ without explaining what they were, and said that the issuing of the notice of default was out of his hands.*

*Having said that, I don’t think the representative was unsympathetic in his manner, but Miss A was very upset and not necessarily receptive to a more detailed discussion at that point. But I think Madison could reasonably have made a further attempt to explain to Miss A (perhaps in writing or in a separate phone call) what might be possible for her - especially as the full contractual payment had only recently been made – rather than proceed to registration of the default. The notice was issued within a short period of Miss A saying she had financial difficulties, and there was no attempt to go through her financial position or what might have changed since April to allow her to make the full payment in July.*

*Taking all this into account I don’t think I can fairly say that the arrangement had broken down at the point the notice of default was issued, given that the full payment had been made just beforehand and Madison had not attempted to find out Miss A’s updated financial position. And the arrears never reached three monthly payments. So overall I don’t think Madison treated Miss A with forbearance and due consideration – or in line with ICO Guidance – in registering the default on Miss A’s credit record when it did (or indeed at any later point as the arrears were cleared in January 2022 and the account is now up to date).”*

*I said in my provisional decision that my conclusion was that this part of Miss A’s complaint should be upheld, and therefore the default should be removed from Miss A’s credit record, although I do consider it fair for the missed or reduced payments to remain on her credit record for the purpose of accuracy.*

As no further evidence or information has been provided by either party, I have no reason to change my conclusion. So I am upholding the part of Miss A's complaint relating to the registration of the default.

### **Putting things right**

Madison should remove the default from Miss A's credit record with the Credit Reference Agencies.

### **My final decision**

For the reasons stated above I uphold Miss A's complaint about the registration of the default. Madison CF UK Limited should update Miss A's credit record as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 7 July 2023.

Jan Ferrari  
**Ombudsman**