

The complaint

Mr M complains that Madison CF UK Limited (trading as 118 118 Money) has unreasonably held him liable for transactions he says he didn't make.

What happened

Mr M held a credit card account with 118 118 Money. In October 2022 he received an email from the business about a suspicious transaction. Several days later he contacted them to say there were two transactions on his account that he didn't recognise, totalling £67.77. This was to an online payment processor. He says he also asked them to get a new card issued, but they told him they wouldn't do this.

118 118 Money investigated, and felt Mr M had made these transactions, so didn't think they were liable for refunding him. They also said that Mr M would no longer have use of the account.

Unhappy with this Mr M complained. He said he was also unhappy with the service he'd received and felt 118 118 Money had hung up on him. He was concerned about the impact of the termination on his credit file.

118 118 Money responded to say they didn't think they'd done anything wrong. They were satisfied that they were right to hold him liable for the transactions, as on the balance of probability they felt he knowingly made the transactions. They said as part of their fraud process, they wouldn't automatically issue a new card while an account was under investigation, and that the subsequent termination of his account was done in line with the terms and conditions, as Mr M had told them he'd stop paying towards the account.

On the customer service 118 118 Money accepted they hadn't called him back about the disputed transactions but said this was because they had completed the investigation and sent the outcome to him. They said the phone calls with Mr M had been chaotic, and a lack of structured conversation is what led to any misunderstandings. They confirmed there wouldn't be any impact on Mr M's credit file so long as he kept making minimum repayments to the outstanding balance – but non-payments, or reduced payments, would likely be recorded.

Mr M wasn't satisfied with this answer and referred the complaint to our service. He said he'd been told by a manager at 118 118 Money that the investigation hadn't been done correctly. One of our investigators looked into what happened but didn't think the complaint should be upheld. They said the technical evidence showed that Mr M had agreed to a payment of £2 to the same payment processor the day before. They felt this meant it was likely Mr M had agreed to further payments.

The investigator found that Mr M had told 118 118 Money he was withholding payments until a new card was issued, so it was reasonable for the business to restrict and close the account. They felt any impact on Mr M's credit file was from him withholding payment, when the business had been clear this would happen if he did. They accepted Mr M hadn't

received calls when promised but didn't think this had a material effect on what happened. They didn't think 118 118 Money needed to do anything further.

This wasn't accepted by Mr M, so the complaint has been passed to me to decide. As part of my investigation, I requested information from both parties, which has now been received.

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.

Mr M has raised several issues with how he feels he was treated by 118 118 Money. I won't make a finding on every single one, as the rules of our service allow me to concentrate on what I consider to be the key issues to be resolved. But I want to assure Mr M I've read all his submissions and listened to the call recordings he's sent us. If I don't mention something in particular it's not because I've failed to take it on board, or not considered it carefully. But rather I don't see that I need to in order to reach what I consider to be a fair outcome.

The disputed transactions

The relevant regulations that cover payments are the Payments Services Regulations 2017 (PSRs). Broadly, these say that a business can only deduct a payment from a consumer's account when it has been authorised – as in they've gone through the process of agreeing to pay a merchant. Where a consumer hasn't agreed to a payment being made, the business doesn't have authority to debit an account. Crucially, it's for the business to show that a payment has been authorised.

So, the key question for me to answer here is whether I think 118 118 Money can show that Mr M authorised the payments he now disputes.

Looking at the evidence provided, I can see the £2 payment from the day before the disputed payments. This was authorised using additional steps that would have required Mr M's input – although it wasn't taken by the merchant. This authorisation is made from the same device, and from the same IP address as the two disputed transactions. This device and IP address have also been used to make undisputed transactions previously, such as a £49.99 payment earlier in October 2022. Mr M hasn't told us that anybody else had access to his device at the time.

118 118 Money have confirmed the later transactions didn't require the additional verification steps. The technical data says it was made using stored data. So, I think it unlikely the transactions to the payment processor were done by a different individual.

Since the payment seems to have gone through a payment processor rather than directly to a merchant, I asked if they had any further information about what goods or services were purchased, and whether this could be linked directly to Mr M. They replied that they did not hold this information. I also asked Mr M whether he had any dealings with the payment processor directly, but we didn't receive a specific response to this.

I've considered whether he accidentally signed up to a merchant who then billed him without his knowledge. It's disappointing that 118 118 Money don't have the information on what goods or services the payments were for, and whether they were in Mr M's name. But the fact that the same device was used makes this seem unlikely. If the merchant had been doing this themselves, it wouldn't be recorded as being made using his device. Mr M also hasn't mentioned signing up to anything previously, even when asked.

I appreciate he's been consistent in saying he didn't make these payments. But they were made from his known device. In the absence of an explanation of how a third party could have carried them out, I'm persuaded on balance that it's more likely than not Mr M made the transactions in dispute. On that basis, I don't see that 118 118 Money have been unreasonable in declining to refund him.

Account restriction and closure

The terms of Mr M's account allow 118 118 Money to restrict an account in the event that someone is unable, or unwilling, to repay the balance on their account.

I've reviewed the available call recordings, and I'm satisfied that Mr M told 118 118 Money that he wouldn't make payment unless he received a new card – which they'd already declined to do. Later he offered to make token payments, which were less than the contractual amount. I'm satisfied this would prompt reasonable concern that they'd not receive their expected repayments. I'm also mindful that this is a credit card account, and it's the prerogative of the business whether they want to continue to lend money.

While I accept that Mr M was in dispute with 118 118 Money over the transactions, this doesn't mean that his obligation to repay any sums owed was cancelled out. From what Mr M told them, I see their concerns about receiving repayment to be reasonable. As such, I don't see the restriction placed on further use of the account to be unfair.

118 118 Money subsequently closed the account – explaining that their terms allowed them to do so, based on the outcome of the disputed transactions. The terms say they can close an account by giving two months' notice in writing. But in this case the account was already restricted and couldn't be used for spending. So, any notice period wouldn't have any material effect on Mr M's ability to use the account. It's also clear from the call recordings and communication between the parties that the relationship had broken down. So, I don't see that 118 118 Money deciding to close the account was unreasonable.

Ultimately this is a legitimate commercial decision that 118 118 Money have made. The terms of the account say the agreement will continue until the full balances have been repaid. As there remains a balance outstanding the account remains open on the business' books, but I don't think there's any realistic expectation the account will be used for spending again.

Credit reporting

As mentioned above, even though Mr M was in dispute with 118 118 Money over the transactions, this doesn't extinguish any obligation to continue repaying the debt that was owed. I'm mindful that the amount in dispute was only a small portion of the overall balance of the account - £67.77 of over £1,200. So, I wouldn't reasonably expect the business to have placed the entire account on hold while this dispute is resolved.

I've not seen or heard anything to suggest that 118 118 Money agreed to stop collecting repayments from Mr M. From the call recordings, and from what he's told our service, I see this as a decision he's made of his own accord. I can also see the business has been clear that they would continue to accept minimum repayments to the debt, and this would have no negative impact on how they report to his credit file.

But no payments have been made towards the outstanding balance since November 2022. As no payments have been received, it's right that 118 118 Money report this accurately to the credit reference agencies. I'm satisfied they've done so, and this isn't unreasonable.

Customer service

Having reviewed the calls available between 118 118 Money and Mr M, I don't see that many of these calls were beneficial to either party. Some of the call recordings end abruptly. Mr M believes 118 118 Money hung up on him, although the business denies this. It's difficult for me to draw any specific conclusions on this, given the absence of evidence of how these calls end. But I can appreciate it would be frustrating for Mr M.

Likewise, there are two calls where Mr M is promised calls back from managers, which don't materialise. But I'm also not sure there was anything pertinent for a manager to add. Mr M had already been given the relevant information to his query from the call handler. I don't see what further value a call back from the manager would add. I can see in their final response 118 118 Money has already apologised for the missed call backs, which I consider to be appropriate.

As mentioned above, it's clear by this point the relationship between Mr M and 118 118 Money had broken down. But from what I've seen the business gave him the relevant information and investigated his concerns within a reasonable timeframe. Overall, I'm not persuaded that the customer service from 118 118 Money was so unreasonable that they need to do anything further to make up for it.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 2 April 2024.

Thom Bennett
Ombudsman