

The complaint

Mr K complains that Madison CF UK Limited trading as 118 118 Money sold his loan to a third party.

What happened

Mr K held a loan with 118 118 Money. The loan was taken out on 17 September 2022 for £1500 plus interest of £661.44 with monthly payments of £120.08.

In 2023 Mr K experienced financial difficulties. His January payment was returned unpaid, and the account fell into arrears.

On 6 February 2023 118 118 Money sent a Notice of Sums in Arrears advising Mr K that he was £240.16 in arrears.

On 13 March 2023 118 118 Money sent a Default Notice which required Mr K to pay £300.24 by 3 April 2023.

Mr K contacted 118 118 Money and agreed a payment plan for £60 per month. The arrangement was due to end on 14 July 2023.

Mr K agreed to make payments of £60 on 19 May, 16 June and 14 July.

The payment of £60 made on 14 July was returned to Mr K by 118 118 Money. On 1 August 2023 the account was sold to a third party.

Mr K was contacted unexpectedly by the third party who asked him to pay the full balance outstanding of £1621.28. Mr K complained to 118 118 Money and said he hadn't been given notice that his loan was being sold.

118 118 Money didn't uphold the complaint. It said it had assigned its rights under the loan in line with the terms and conditions of the agreement. It said the debt was now owned by the third party.

Mr K remained unhappy and complained to this service. He said he didn't think it was fair that the loan was sold whilst he was still in the payment plan and says he intended to return to making his full contractual payments and pay something towards the arrears once the payment plan had ended.

I issued a provisional decision in which I said that the terms and conditions of the account stated that 118 118 Money could transfer its rights under the agreement to another person or entity at any time. Mr K accepted these terms and conditions when he took out the loan.

I said that the terms and conditions allowed 118 118 Money to sell the loan, so I wasn't able to say that it had done anything wrong by assigning the loan to the debt purchaser.

I said I understood Mr K's point that he wasn't given any warning that the loan was going to be sold to a third party. I said that 118 118 Money wasn't under an obligation to notify customers prior to an assignment of a loan, but I felt that because Mr K had maintained his payment arrangement and informed 118 118 Money about his personal circumstances, I thought it would've been reasonable for 118 118 Money to contact Mr K and let him know what it was going to do. This wouldn't have changed the fact that the loan was being sold but it would've given Mr K some warning and he wouldn't have been taken by surprise when the third party contacted him about the account. I said that taking this into account, I thought the investigators award of compensation was fair to reflect the trouble and upset caused.

I explained that I'd reviewed the loan account and that I could see it was 3 months in arrears by the time Mr K entered the payment arrangement. I said the payment arrangement was for an amount which was less than the contractual payment, and that in these circumstances 118 118 Money hadn't made an error when it issued a Default Notice on 13 March 2023. I said that Mr K hadn't paid the sum demanded in the Default Notice and therefore, there hadn't been an error on 118 118 Money's part when it defaulted the account.

I concluded that there weren't grounds to ask 118 118 Money to remove the default.

I invited both parties to let me have any further comments they wished to make.

Mr K responded and said he didn't agree with the provisional decision. He said he would rather have the default removed than receive compensation.

118 118 Money responded and said it had no further comments to add.

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 appreciate that Mr K would like the default removed. I've explained in my provisional decision why I don't think the account was defaulted in error. My decision about that hasn't changed. 118 118 Money is under an obligation to report accurate information to the credit reference agencies. The default is correctly reported, because it reflects the state of Mr K's account.

I'm leaving my award of compensation in place so that Mr K can accept it if he wishes.

Putting things right

To put things right, Madison CF UK Limited trading as 118 118 Money must pay compensation of £150 to Mr K.

My final decision

I partially uphold the complaint. Madison CF UK Limited trading as 118 118 Money must pay compensation of £150 to Mr K.

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

Emma Davy
Ombudsman