

The complaint

Mr A says Madison CF UK Limited, trading as 118 118 Money, mis-handled the administration of his loan account and unfairly reported it as being in default.

What happened

Briefly, Mr A fell into financial difficulty and contacted Madison in mid-June 2023 to ask it to set up a repayment plan for £50 a month. Despite Mr A subsequently requesting that he pay £10 a month instead of £50, Madison started a payment plan for £50 a month from mid-July 2023.

Madison adjusted the amount to be paid to £10 before recording the account as being in default in September 2023. It sold the debt to a third-party in November 2023.

Unhappy that Madison had defaulted the account and sold the debt, Mr A made a complaint. Madison replied that the default had been appropriately recorded and the debt sold in the circumstances but accepted it could have handled matters quicker and better. It initially offered Mr A £75 for the inconvenience caused.

In rejecting Madison's offer, Mr A said he felt £750 would be a fairer reflection of the impact of its actions on him. He said he didn't accept Madison could sell his account to a third-party without his consent and asked that the default be removed. He ultimately brought his complaint to this service.

One of our investigators looked into the complaint and recommended that it be upheld in part. They felt Madison's offers of £75, and subsequently increased to £150, weren't sufficient and that £300 was more appropriate in the circumstances. The investigator wasn't persuaded that Madison had otherwise mishandled the account in recording the default or selling it to a third-party.

Madison agreed to pay Mr A £300 in total as compensation. But Mr A was unwilling to accept the recommendation. He said, among other things, the default would adversely affect him for several years to come. He said Madison had already received most of the principal amount borrowed in payments. As a result, Mr A said Madison should remove the default and enter into an arrangement to clear the outstanding balance less £500 (to be deducted to reflect the distress and inconvenience it had caused).

As the investigator was unable to resolve the complaint informally, it was passed to me to review afresh and make 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.

Having done so, I uphold this complaint in part. I'll explain why.

Fundamentally, Mr A entered into an agreement to pay Madison back for a loan. This meant him paying an agreed amount on an agreed date each month for the term of the loan. This was all set out in the loan agreement Mr A signed. He didn't comply with the agreement.

I think the process Madison followed before reporting the default was reasonable in the circumstances. I'll come back to the issue of the amount to be paid under the payment plan again later, but suffice it to say I don't think any errors made by Madison in this regard caused Mr A financial loss. I'm satisfied it's more likely than not a default would have arisen even if payments of £10 a month, as opposed to £50, had been set up as they should have been.

I say that because £10 a month represented a token amount in comparison with the amount Mr A owed overall. In those circumstances, it most likely wouldn't have been unreasonable for Madison to have subsequently reported a default in any event.

I recognise that Mr A's unhappy Madison sold the debt to a third-party. He says he didn't consent to this. But I'm satisfied Madison's actions in this regard are in-keeping with its contractual right to end the agreement due to non-payment and with what would reasonably be considered to be accepted industry practice.

Mr A says the default will impact him for years to come and points out that Madison had got most of the principal amount back from him. I don't dispute any of this, but I don't find that these points precluded Madison from acting as it did.

It's clear that Mr A's also unhappy with the overall level of service he's been provided with by Madison. For instance, it delayed in responding to his requests to agree on a formal payment arrangement. And when it did, Madison did so on the basis that Mr A could repay £50 a month as opposed to the £10 amount he subsequently requested. This, no doubt, would have caused him some uncertainty for a time as to what Madison was prepared to do, if anything, to help and support him at a time of financial difficulty.

I understand that these issues have proved frustrating and disappointing for Mr A to have encountered. I'm pleased to see that Madison recognised the frustration and inconvenience it had caused Mr A and that it did so before the involvement of this service. It apologised to him and offered him £75 by way of compensation initially before increasing the offer to £150.

I believe Madison should have done better in the first place. But, the fact is, things went wrong, and that impacted on Mr A through no fault of his own. This is not the level of service Mr A would reasonably have expected to receive.

It's rarely straightforward to decide what represents an appropriate level of compensation for non-financial loss given its inherently subjective nature. Mr A experienced these particular problems and no-one else. I assure him I'm mindful of that.

This said, I've taken account of this service's general approach to compensation for distress and inconvenience as set out on our website. This explains the level of award Mr A seeks – in the region of £500 – might typically involve significant distress and/or inconvenience that needs a lot of extra effort to sort out. The impact might last over many weeks or months or the mistake may have had a serious short-term impact. Our published approach explains that a smaller monetary award of up to £300 will typically be enough to compensate for events that have caused more than minimal impact and require a reasonable amount of effort to sort out.

I've thought about this approach in light of the errors Madison made and the loss Mr A experienced. It was around four weeks after initial contact from Mr A in mid-June 2023 that

Madison put a repayment plan in place. It was in August 2023 that Madison adjusted the plan to reflect that Mr A could in fact only afford to pay £10 a month. Had Madison taken longer to resolve these issues this would probably have had an impact on the amount of compensation I felt he was due. As it is, I think £300 – including the amounts Madison's previously offered to pay – is fair.

Overall, I'm persuaded that Madison's caused Mr A loss to the extent that it was fair to have offered him some compensation for distress and inconvenience. I realise Mr A's strength of feeling about the complaint and I'm sorry that he finds the offers Madison's made to be too low. But I think £300 in total is fair taking all the circumstances into account including the impact on Mr A.

Putting things right

Madison should pay Mr A £300 in total as compensation for the distress and inconvenience it's caused him.

My final decision

For the reasons given, I uphold this complaint in part. I require Madison CF UK Limited, trading as 118 118 Money, to put things right for Mr A as explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 25 July 2024.

Nimish Patel
Ombudsman