

The complaint

Mr T says that Madison CF UK Limited, trading as 118 118 Money ('118 118'), didn't clearly explain how they had calculated a settlement figure.

What happened

Mr T took out a loan with 118 118 in March 2024. He asked for a settlement quote in May of that year but was unhappy with the amount and asked for an explanation. He didn't think 118 118 had adequately explained how the settlement figure was derived.

118 118 explained that the settlement had been calculated in accordance with the Consumer Credit (Early Settlement) Regulations 2004. They said the calculation was based on a complex formula specified in the regulations and they provided a link to that formula that they were required to use to calculate the interest rebate.

Mr T didn't think the calculation they had completed had been made clear to him. He felt he'd been overcharged, and he referred his complaint to this service.

Our investigator thought 118 118 had done enough to explain what was a complex calculation, but as Mr T disagreed his complaint has been referred to me, an ombudsman, to 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.

I think 118 118 have provided an adequate explanation here and I'm not asking them to take any further action. I'll explain why.

Where the information I've got is incomplete, unclear, or contradictory, as some of it is here, I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

The Consumer Credit Act covers several areas of consumer credit including the content and form of credit agreements and the procedures relating to default, termination, and early settlement. In relation to early settlement the Consumer Credit Act says that settlement figures should be calculated using the rules set out in the Consumer Credit (Early Settlement) Regulations 2004. It says that the settlement date becomes 28 days after receipt of the settlement request and it goes on to allow the creditor, if the loan is for more than one year, as was the case here, to defer the settlement date by 30 days. That may explain for Mr T why the charges were higher than he may have expected. The complex early settlement equation is set out in part 4 of those regulations and 118 118 referred him to that.

Our Service wouldn't usually calculate or check early settlement calculations: we'd expect the business's auditors to do that, and we understand that the calculation is automated. But I'd expect the business to be able to justify the calculation to its customers if challenged.

I think 118 118 have done that. They've used the correct regulations, referred Mr T to the correct calculation and have explained their right to defer the settlement date. I think that was sufficient to enable Mr T to understand the settlement figure they provided and I'm not, therefore, asking 118 118 to take any further action.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 4 February 2025.

Phillip McMahon
Ombudsman