

## **The complaint**

Mr K complains that Madison CF UK Limited trading as 118 118 Money ("118 118") applied a default in relation to his personal loan and sold the account to a third party.

## **What happened**

Mr K successfully applied for a personal loan with 118 118 in December 2022. The loan was for £1,000, to be repaid over 24 monthly payments of £71.16. Around March 2024, Mr K moved his current account to a different bank and made the required payments each month through his debit card. The payment due in June 2024 didn't go through, and the account fell into arrears.

118 118 attempted to contact Mr K without success, and the subsequent payment due in July 2024 also failed. 118 118 passed the account to its specialist support team, who asked Mr K to get in touch to discuss his circumstances so it could agree a repayment arrangement to clear the arrears. Mr K responded saying he'd attempted to make the payment several times through 118 118's website, but it wouldn't go through despite having funds available. He asked to set up a direct debit so that further payments wouldn't be missed. 118 118 said Mr K could set up a direct debit arrangement through its app or over the phone, but it still wanted to understand Mr K's financial circumstances so it could offer appropriate support.

A default notice was issued on 9 August 2024, saying Mr K needed to repay the arrears of £213.48 by 30 August 2024. Mr K got back in touch, unhappy that he'd received the notice. He said he'd tried to make the payment online at least eight times without success, so asked 118 118 to schedule a payment for the full arrears balance on 23 August 2024 – as his salary was due to be paid that day. 118 118 agreed, and attempted to take the payment on that date but it failed to go through.

118 118 wrote to Mr K to let him know the payment had failed, and repeated its offer to set up a repayment arrangement. When it didn't hear back from Mr K, 118 118 applied a default and the account was sold to a third party. Mr K made a complaint. He said it was unfair for 118 118 to apply a default – as he'd tried to make the required payments but had been prevented from doing so through no fault of his own. He said he'd asked 118 118 to set up a direct debit but it had refused to do so. 118 118 didn't agree it had made an error, and said Mr K had failed to pay the arrears despite it giving him multiple options to do so. It said it had followed its process correctly by applying a default and selling the account. It said the payments had failed due to a 'lifecycle' error, and that Mr K would need to contact his bank to query this.

Mr K referred the complaint to this service. One of our Investigators considered the complaint, but didn't think 118 118 had done anything wrong, as it had attempted to take the required payments as Mr K had requested. Mr K didn't agree. He said he'd spoken to his bank, who was unable to find any record of 118 118 attempting to take any payments. He said he'd tried to do everything he possibly could to make the payment and avoid the default. He asked for the complaint to be referred to an Ombudsman for a final decision. So, it's been passed to me to decide.

## **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.

If I haven't commented on any specific point, it's because I don't believe it's affected what I think is a fair outcome – and isn't intended as a discourtesy to either party. Where evidence has been incomplete or contradictory, as it is in this case, I've reached my decision on the balance of probabilities – what I think is more likely than not to have happened given the available evidence and wider circumstances.

I can understand why Mr K feels let down by 118 118. From his perspective, he tried to make the required payments and clear the arrears on the account but couldn't do so because of circumstances outside of his control. 118 118 – like all lenders - is required to report true and accurate information to credit reference agencies. The guidance set by the Information Commissioners Office (ICO) says lenders can apply a default if an account has been in arrears for three months or more. And the terms of the loan allow 118 118 to transfer or sell the account to a third party. I've considered whether 118 118 made an error or if it otherwise treated Mr K unfairly.

I've first considered why Mr K's attempted payments didn't go through. The payment attempts were made through Mr K's debit card, and each of these were declined. 118 118 has provided information it received from the payment processor, which shows the payments were declined due to a 'lifecycle' error. Mr K says his bank suggested that a '3DS' error may have prevented the payments from going through. These errors are typically associated with the debit card used to make the payment. I note that Mr K has another account with 118 118, which he was able to make payments to – but payments on that account were made via direct debit rather than through his debit card. Mr K says his initial attempt to pay the third party after the account was sold also failed – but the problem was resolved after he contacted his bank.

I can't say with certainty why the payments failed - but I haven't seen evidence to persuade me that it was due to an error or technical problem on 118 118's end. I note Mr K says his bank denies receiving any payment requests. But 118 118 has provided records suggesting the payments were attempted and declined. So – on the balance of probabilities – I'm reasonably satisfied the payment attempts were correctly processed by 118 118 and that the payments didn't fail due to an error it made. This is further supported by the fact that Mr K also had a problem making the payment to the third party who purchased the debt. And I don't think 118 118's suggestion that Mr K contact his bank to try to resolve the problem was unreasonable. Mr K says he contacted his bank on 25 September 2024 – but this was too late to avoid the default being applied.

Mr K says he made several attempts to pay through 118 118's website. 118 118 has no record of this, and Mr K couldn't provide evidence to show when or how he tried to pay. I also note that 118 118 told Mr K he could pay via bank transfer or standing order – but I can't see that either of these options were attempted.

Mr K says his preference was to make payments via direct debit – but that 118 118 wouldn't allow him to do this unless he submitted details of his income and expenditure. It appears there may have been some confusion around this. I can see 118 118 told Mr K that it needed his income and expenditure details to assess his circumstances and potentially put a repayment plan in place – but that he could set up a direct debit himself either via its app or over the phone. Mr K had previously asked for a payment break due to a change in his financial circumstances – so I don't think it was unreasonable for 118 118 to want to understand his circumstances in more detail after he started missing payments – even

though he said he had funds available. I haven't seen evidence to persuade me that 118 118 prevented Mr K from setting up a direct debit. But regardless of whether he was able to set up a direct debit for future payments, Mr K still needed to arrange to pay the accrued arrears to avoid the default being applied.

After receiving the default notice, Mr K was aware the arrears needed to be paid before 30 August 2024. He asked for 118 118 to attempt the payment on 23 August 2024 – one week before that deadline. Mr K was aware that previous attempts to take the payment had failed and knew the potential consequences of the arrears not being paid before the deadline. So, I think it's fair to say he had reason to check his account and make sure the payment went through. I haven't seen anything to suggest he contacted 118 118 for several weeks after the payment failed – even after it wrote to him. Nor have I seen evidence to suggest he made any further attempts to pay after 23 August 2024. By the time he got back in touch with 118 118 the default had already been applied, and the account had been sold.

The arrears weren't paid before the deadline set out in the default notice, and Mr K doesn't appear to have responded to 118 118's contact after the scheduled payment failed. He also didn't provide the information it needed to consider a potential repayment arrangement. Taking this into account, I don't think it was unreasonable that 118 118 decided to apply a default and sell the account at that stage.

I have sympathy for Mr K here, and I can appreciate this will come as a disappointment to him. I'd like to reassure Mr K that I'm not suggesting he intentionally sought to avoid paying. But I can't fairly conclude that 118 118 made an error or treated Mr K unfairly by registering a default or selling the account, for the reasons I've explained. So, I don't require to remove the default or take any other action.

### **My final decision**

For the reasons I've explained, my final decision is that I don't uphold Mr K's complaint about Madison CF UK Limited trading as 118 118 Money.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 7 August 2025.

Stephen Billings  
**Ombudsman**