

The complaint

Mr S complains that Madison CF UK Limited trading as 118 118 Money ('118') defaulted and assigned his credit card account when he had a payment plan with them.

Mr S wants the default to be removed from his credit file and for 118 to bring the account back from the third party and reinstate his payment plan.

What happened

Mr S set up a payment plan with 118 to pay £10 per month towards his credit card account when he was having financial difficulties. He subsequently complained that 118 defaulted his account and sold it to a third party.

118 said when Mr S set up his payment plan, he'd been warned of the possibility his account would default. 118 pointed to the terms and conditions of Mr S's account which allowed them to assign his account to a third party.

Mr S was unhappy with 118's response and referred his complaint to the Financial Ombudsman Service, but our investigator concluded that Mr S hadn't been treated unfairly. He also considered Mr S had been given adequate notice of the risk of default and the possibility 118 could sell his account to a third party.

Mr S sought an ombudsman's decision, saying he wasn't informed his account would be sold and 118 created an expectation that they wouldn't pursue further adverse action when they agreed the payment plan. He didn't think he had been treated fairly and with forbearance, particularly as 118 were aware of his significant health problems.

My provisional findings

I recently issued a provisional decision, saying:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've taken into account any relevant law and regulations, the regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good industry practice at the relevant time.

Having conducted my own review I intend to uphold Mr S's complaint in part. I don't intend to ask 118 to remove the default or reinstate Mr S's account, but I propose 118 pay Mr S £150 to reflect that Mr S was given misleading information regarding his default.

I'm aware that Mr S underwent some surgery in the summer of 2024 and he contacted 118 to reassure them he had every intention of paying his debt. He asked for forbearance, and I was pleased to see 118 applied a 30-day freeze on his account. Mr S said at the time he was not able to work – understandably – and his benefits didn't give him much scope to pay for more than essential living expenses. Mr S later came to an agreement with 118 to pay £10 per month towards his credit card debt.

The Information Commissioner's Office ('ICO') gives guidance for firms in its document 'Principles for the Reporting of Arrears, Arrangements and Defaults at the Credit Reference Agencies' ('PRAAD'). This sets out that by the time an account is at least three months in arrears, and normally by the time an account is six months in arrears, it's generally expected that a default will be registered. 118 referred to this expectation in their final response letter to Mr S.

However I am minded to disagree with 118's assertion in their final response letter that arrangements don't prevent defaults from being registered. PRAAD says:

"3. If you offer or make a reduced payment, how it is reported will depend on whether it is agreed with the lender.

...It is important that you are made aware, when such an arrangement is made and maintained, that it will show on your credit file and that whilst arrears may accrue and increase a default will not be recorded.

...If your lender agrees to give you a temporary arrangement, but you fail to make the agreed payment against the new terms, they may still file a default (see Principle 4 below) as soon as a payment is missed, as long you were at least 3 months in arrears on the original agreement.

4. If you fall into arrears on your account, or you do not keep to the revised terms of an arrangement, a default may be recorded to show that the relationship has broken down.

..If an arrangement is agreed, a default would not normally be registered unless the terms of that arrangement are broken."

An exception to this is where token payments are being made. Section 3 of PRAAD says:

"If your lender does not agree a reduced or revised payment with you because the amount you offer to the lender is not acceptable, for example, a very low or token payment, the account will not be reported as an arrangement... Any payments you make will be reflected in the current balance, arrears will continue to accrue and a default may be recorded."

I'm inclined to say 118 provided conflicting information to Mr S about the impact of his arrangement and whether his account would default. I'm minded to say Mr S was left with the impression that 118 wouldn't default his account if he made the agreed payments, when this wasn't the case.

I've listened to the call between Mr S and 118 when he made his payment plan. 118's agent accepted £10 per month "to keep the account active." Mr S was informed that if his arrears reached a certain stage then it was possible 118 would take action to default his account, and he'd receive a notice of sums and arrears and default notice if this was the case. Mr S questioned this in the call, and 118's agent explained that she wanted to set proper expectations that a default was possible. Mr S was later sent a default notice requiring payment of £167.72 by 18 October 2024, failing which his account would be defaulted.

When Mr S asked 118 about his default notice on 3 October 2024, 118's agent said "it doesn't mean you breached the contract, it is just a regulatory mailing" and "a standard letter" and "you just need to make sure you don't break the plan." Mr S outlined his understanding of what had been said in the call, that the default notice was standard for every customer, not just himself, and that he had to keep paying £10 per month and call back when his circumstances changed. I am minded to say 118 missed an opportunity here to ensure Mr S understood that his account was due to default.

Mr S made his payments but was subsequently sent a termination notice and his agreement was sold to a third party.

I've thought carefully about whether it's fair for the default to be reported to Mr S's credit file these circumstances. I'm sorry to disappoint Mr S but on balance, I think it is.

I say this because due to circumstances outside of Mr S's control, Mr S was only able to make token payments towards his account. Mr S was over his credit limit and his income had been significantly reduced due to his ill health. Despite Mr S's best efforts and good intentions, I'm not persuaded there was a realistic prospect of making significant payments and avoiding a default in these circumstances.

I know Mr S feels his default was premature but I'm minded to say it's of benefit for the default to be registered sooner rather than later, so it comes off Mr S's credit file earlier. So in these circumstances I propose that the default should remain.

I recognise Mr S is disappointed that despite building a relationship with 118 and trusting them with his personal circumstances, they've gone on to sell his account to a third party. I am sorry that this is causing Mr S further upset, but I am minded to say it's within 118's rights to do this, and this isn't breaching the terms and conditions of his account.

However for the reasons I've given I am of the view that 118 haven't communicated fairly with Mr S about his default and that this has caused Mr S distress, inconvenience, and a loss of expectation. So I'm proposing that 118 pay Mr S the sum of £150 in compensation to recognise this."

Responses from the parties

I invited the parties to respond to my provisional findings with any more comments or evidence they'd like me to consider.

Neither party has provided anything further and the deadline for doing so has now passed, so I am ready to make a final 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, and in the absence of further evidence from the parties, I see no reason to depart from my provisional decision, which I've set out above. I think 118 should pay compensation to Mr S to fairly resolve his complaint.

Putting things right

Madison CF UK Limited trading as 118 118 Money must pay Mr S £150 for his distress and inconvenience.

My final decision

For the reasons I've outlined, Madison CF UK Limited trading as 118 118 Money must put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 19 August 2025.

Clare Burgess-Cade
Ombudsman