

The complaint

Mrs W is unhappy that Zilch Technology Limited didn't remove restrictions they'd placed on her account when she provided proof that they weren't warranted.

What happened

Mrs W held an account with Zilch which allowed her to make purchases and repay them in instalments. On 7 July 2025, she contacted Zilch through its online chat to update the firm on her circumstances, explaining that she was pregnant. Zilch provided general support information but did not make any changes to her payment arrangements at that stage.

On 11 July 2025, Mrs W contacted Zilch again because her account had become blocked. Zilch told her it had received information from a debt-management company ("DMC") which explained that she might be entering a debt-management plan. Zilch explained that because of this, it had restricted her account to prevent further spending. Mrs W said she was not entering a debt-management plan and asked Zilch to remove the restriction. Zilch told her it would need proof that any plan had been completed or cancelled before it could reassess the restriction.

Later the same day, Mrs W told Zilch that she had cancelled her contact with the DMC and that she wanted her account unblocked. Zilch repeated that it needed evidence from the DMC confirming this before it could review the account.

On 14 July 2025, the DMC emailed Zilch, copying in Mrs W. In that email, the DMC confirmed that Mrs W was not proceeding with a debt-management plan and said it had already informed Zilch of this by telephone the previous week. The DMC asked Zilch to confirm that the account had been unblocked. Zilch's automated system responded that the inbox was not monitored and directed Mrs W to contact the firm through chat or by phone.

After this, Mrs W made several further attempts to contact Zilch between. She said she had provided the necessary proof and did not understand why the block remained in place. She expressed increasing frustration that Zilch was not replying to her messages, and she asked for information about how to make a formal complaint. Mrs W later told Zilch that she had submitted a complaint because she felt she was being ignored.

Zilch responded to Mrs W and confirmed that it had received confirmation from the DMC that she was not in an active plan. Zilch explained that, while they acknowledged that Mrs W was not in debt-management, her account would remain restricted until her outstanding balance was paid in full and the firm had reviewed her account. This was because Zilch felt that the fact that Mrs W had approached the DMC in this first instance meant that it was likely that she was in financial difficulty. Mrs W wasn't satisfied with Zilch's response, so she referred her complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that Zilch had acted unfairly by maintaining the account restrictions even after the DMC had told Zilch that Mrs W wasn't proceeding with them. Mrs W didn't agree, and so the matter was escalated to an ombudsman for 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.

I issued a provisional decision on this complaint on 12 February 2026 as follows:

I think Zilch acted reasonably when it first restricted Mrs W's account. The firm had received an Authority to Act form and contact from the DMC, which are recognised indicators that a customer may be exploring or entering a debt-management plan. On that basis, I'm satisfied it was fair for Zilch to apply a temporary block on further spending at that stage while it sought clarification.

However, I don't think Zilch acted fairly once it received confirmation from Mrs W and the DMC that Mrs W wasn't proceeding with a debt-management plan. The DMC contacted Zilch on 14 July 2025 and confirmed that Mrs W was not going ahead with a plan, and that it had already told Zilch this by phone the previous week. This means that the information that originally prompted the restriction had been updated. And because of this, I would reasonably have expected Zilch to reassess Mrs W's circumstances based on the facts as they stood then, which included that Mrs W was not in arrears on her account and was making payments in accordance with the contractual requirements of the account.

Instead, Zilch continued to rely on Mrs W's initial engagement with the DMC as the primary reason to keep her account blocked. I don't think this was a fair or proportionate approach. Consumers can make enquiries with a DMC for a variety of reasons, and once Zilch had clear evidence that Mrs W wasn't entering a debt-management plan, it needed to consider the broader picture – including the fact she had kept up with her payments and said she wasn't experiencing financial difficulty. In my opinion, Zilch hasn't shown that it carried out a balanced reassessment before deciding to maintain the restriction.

I also think Zilch's communication with Mrs W fell below a reasonable standard. Mrs W contacted the firm repeatedly over several days seeking an update. Some of her chats were closed without resolving her concerns, and at times she received no response at all. She also said she had provided the requested evidence, yet Zilch didn't address this for a prolonged period. Overall, I think the lack of timely and consistent communication added to the distress and frustration she experienced.

Taking everything into account, I feel that Zilch's handling of the situation caused Mrs W avoidable worry and inconvenience. Mrs W was in the early stages of pregnancy at the time, and I think this reasonably increased the impact the situation had on her. So, although Zilch has now removed the restriction, I think it should pay £500 compensation to Mrs W for the distress and inconvenience its actions caused her.

In arriving at this compensation amount I've considered the impact on Mrs W of both the unfair maintaining of the account restrictions and the poor standard of service that she received from Zilch, alongside Mrs W pregnancy as discussed. I've also considered the general framework this service uses when assessing compensation amounts, details of which can be found on this service's website. And, given the duration of the restriction after 14 July, the repeated unsuccessful contacts, and the customer's circumstances, I feel that £500 is a fair amount.

Mrs W responded to my provisional decision and confirmed that she was in acceptance of it. Zilch didn't respond to my provisional decision and so didn't raise any objections to it.

As such, I see no reason not to issue a final decision here whereby I uphold this complaint in Mrs W's favour on the basis described in my provisional decision. And I therefore confirm that my final decision is that I do uphold this complaint in Mrs W's favour on that basis accordingly.

Putting things right

Zilch must pay £500 to Mrs W.

My final decision

My final decision is that I uphold this complaint against Zilch Technology Limited on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 27 March 2026.

Paul Cooper
Ombudsman