

The complaint

Mr C complains that Madison CF UK Limited trading as 118 118 Money unfairly registered a default on his credit file.

What happened

Mr C says he was in financial difficulties in 2022 and contacted 118 118 Money about those difficulties. He says there were a number of problems with an income and expenditure schedule but in September 2022 agreed what he thought was a short-term repayment plan. Mr C says despite agreeing the plan 118 118 Money continued with the default process and registered a default on his credit file. He says he has been caused distress and inconvenience and would like the default removed.

118 118 Money says it did make mistakes in dealing with Mr C before the account defaulted. It has apologised and says it paid £100 compensation. It also says it was entitled to default the account even if Mr C agreed a repayment plan as he had been in arrears for about three months at that point.

Mr C brought his complaint to us, and our investigator didn't uphold it. The investigator thought the compensation offer appropriate for the delay in setting up the plan but thought 118 118 Money was entitled to default the account when there had been three months of arrears. The investigator didn't think Mr C had been told the default process would stop.

Mr C doesn't accept that view.

My provisional view

I issued a provisional view on this complaint and said I came to the provisional view that 118 118 Money had acted unfairly by registering a default on Mr C's credit file in these circumstances.

I said there was no doubt that 118 118 Money didn't deal appropriately with Mr C before the key September 2022 telephone call. I could see that 118 118 Money had fairly apologised and paid £100 compensation. I was satisfied the compensation paid was fair and reasonable for that part of the complaint but didn't think that part of the complaint could be looked at in isolation and thought it clear the process in agreeing a repayment plan was delayed through no fault of Mr C's.

I said that if 118 118 Money accepts as it did that it could have dealt more appropriately with Mr C in the months before issuing the default notices, then it difficult to see why it issued those notices in these circumstances. I appreciated there may have been a couple of months arrears, but I thought it clear that Mr C wanted to work with 118 118 Money to sort matters out.

I explained that The Information Commissioner's Office (ICO) provided guidance to a business and suggested a default should be issued between three and six months of arrears and where a relationship has broken down. I didn't think that the relationship between 118

118 Money and Mr C had broken down in circumstances where they were discussing income/expenditure schedules and that it was clear Mr C wanted to repay his debt despite being in financial difficulties. This was not a case, I said, where for example Mr C ignored regulatory notices or failed to discuss his situation with the lender.

I said the key part of this complaint was the telephone call between the parties in September 2022 after Mr C had been sent the default notice. I listened carefully to it, and I hoped 118 118 Money would review it. The call is well over an hour long and Mr C provided all required information despite I thought large parts of the information having been previously provided to 118 118 Money. At the conclusion of the call, I was satisfied Mr C was told a six-month arrangement had been agreed and that “if the plan breaks there will be a default” He was also told collection will be suspended but the arrears would have a negative effect on Mr C’s credit file.

So, I was satisfied that Mr C was reasonably entitled to conclude from that telephone call that the default process would end and that to avoid a future default he needed to keep to the terms of the agreement. I couldn’t see what else Mr C could have thought after going through that call and in 118 118 Money carrying out an in-depth financial assessment. I also couldn’t see what point there would be in 118 118 Money carrying out that affordability exercise if all it wanted to do was default the account. I had no doubt Mr C would have thought the default process had ended but that the new arrangement would now be reported on his credit file. And during the call Mr C asked 118 118 Money if he was on a payment plan to which he was told “yes”.

I thought it likely that there had been a breakdown in communication within 118 118 Money and that the default process ought to have been paused or stopped when Mr C agreed the repayment plan. I was satisfied that throughout the process Mr C had engaged with 118 118 Money and hadn’t ignored the arrears. I was also satisfied that 118 118 Money was obliged to treat Mr C positively and sympathetically. I couldn’t see that it had, in agreeing a repayment plan but defaulting the account at the same time. I was satisfied the point of a short-term repayment plan was to avoid a default and provide short term help.

I had no doubt Mr C was caused distress and inconvenience as a result of what took place. I couldn’t see any evidence Mr C had been caused any financial loss and provisionally thought 118 118 Money should pay him £100 further compensation. I said the important part of this complaint was the default issue which should be removed from Mr C’s credit file. I hoped both sides would provide up to date information about the account and what is now being paid as no doubt the agreement had ended. I also hoped both sides confirm what was paid from September 2022 and if a new agreement had started.

Both sides have replied with my provisional view and agreed with it.

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 have come to the same overall view that I reached in my provisional decision and for the same reasons.

Putting things right

118 118 Money should remove the default from Mr C’s credit file and pay him £100 compensation.

My final decision

My final decision is that I uphold this complaint and order Madison CF UK Limited trading as 118 118 Money to remove the default from Mr C's credit file and pay him £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 8 August 2023.

David Singh
Ombudsman