

## **The complaint**

Mr B complains about direct debit payments to his credit card from Madison CF UK Limited trading as 118 118 Money ('118').

## **What happened**

Mr B has a credit card from 118. In January 2023, the limit was £3,500 and the balance was £3,519. The next payment was £246.97, due by 1 February 2023. Mr B made a manual payment of £20 on 10 January 2023, so the payment due was then £226.97.

Mr B had a direct debit arrangement in place to collect the minimum payments. 118 had written to him to say the payment due date was changing from 1 February 2023 to 31 January 2023. The email said the payment due was £226.97 – to be taken on 31 January 2023.

What then happened was that on 30 January 2023, £226.97 was claimed by 118 from Mr B's bank as a direct debit. This was refunded the same day – Mr B said he organised the refund through the direct debit indemnity scheme and through his bank.

Then a further direct debit was taken from Mr B's bank account on 31 January 2023 (also for £226.97) and credited to Mr B's credit card account. This was also refunded the same day by 118.

On 31 January 2023, 118 sent an SMS text to Mr B to say two payments had been claimed in error - and one would be refunded. On 3 February 2023, 118 sent a further SMS text to confirm that one payment had been refunded.

Mr B's statement dated 12 February 2023 included interest of £120.80. The balance was £3,620 – so, he was over the limit by £120.04.

The account then fell into arrears and was passed to debt collectors on 24 August 2023 – there were then seven months arrears (February 2023 to August 2023).

Mr B complained. He said that the first payment had been taken too early - contrary to the email from 118. And so – he obtained a refund for it under the direct debit indemnity scheme.

He said the second direct debit payment shouldn't have been refunded – and this caused him (1) to pay more interest – of £120 (2) go over the limit because of the interest (3) put the account into arrears (4) he refused to make any more payments while his complaint was being considered by 118 and then by us (5) his credit file was now marked with adverse information, which wasn't fair.

118 apologised that the second payment was collected – this was an error. The first payment had been refunded by Mr B's bank and caused the arrears. The interest charged was based on the previous month's balance and so the double payments and refunds didn't affect the interest charged in January 2023. On the effect on Mr B's credit file - 118 offered

to delete the missed payment for January 2023 – if Mr B brought his account up to date. 118 offered £25 for the inconvenience caused.

Mr B rejected the offer of £25 and brought his complaint to us. Our investigator didn't uphold it. He said:

- There's no dispute that 118 made an error and shouldn't have refunded the second payment on 31 January 2023.
- The interest charge of £120 was accurate and was calculated from the previous statement. The direct debit issues in January 2023 didn't affect that.
- Mr B had a contractual obligation to make the monthly payments and 118 didn't have to 'hold' his account while his complaint was being looked at.
- He could see that 118 had agreed to remove any adverse information reported to the credit reference agencies for January 2023 – if Mr B brought the account up to date – this was reasonable.
- The compensation of £25 was fair under the circumstances.

### **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 wanted to understand exactly what happened here so asked more questions of 118; and they also sent us more information.

What happened was:

- Two payments were taken by direct debit on 30 January 2023 (£226.97) and 31 January 2023 (£226.97). It's not in dispute that this was an error by 118.
- Mr B then got a refund of the first payment by claiming under the direct debit indemnity scheme.
- But – 118 also refunded the second payment of £226.97.
- So – this meant that no payments were made to Mr B's account for that month, and the account fell into arrears.
- So – I can see what happened here, and so I looked at what communications were sent by 118 to Mr B, as these are important in the context of this complaint.

118 wrote to Mr B by SMS text on 31 January 2023 to explain they'd collected two payments in error and would be refunding one. It said *"Hi Nigel, we've made a mistake and attempted your Direct Debit twice. We're working on this now and will urgently refund any additional payments we collect. We're very sorry for the inconvenience this will cause."*

118 then wrote again to Mr B on 3 February 2023 to say: *"Hi Nigel, we sent an SMS earlier this week to warn that your Direct Debit payment may be incorrectly taken twice. The extra payment taken has now been refunded to your bank account. We sincerely apologise for any inconvenience this has caused."*

So here, 118 advised Mr B what had happened, and what they were going to do about it –

i.e. refund one payment. But by that time, of course Mr B had organised his own refund – so no payments had been made.

I consider that because 118 had clearly told Mr B what had happened, and how they were going to put things right – it's reasonable to say that Mr B should then have realised that no payments had been made for the month and that he needed to make a payment himself. I noted he did make a manual payment of £20 on 13 January 2023 – so he was aware he could do that.

Mr B argues this caused him to go into arrears, I can see how that was the case – as the payment was due by 1 February 2023, and there was little time for him to make the manual payment. But to be fair to 118, they offered to delete the late payment marker from his credit file for that month - if he brought his account up to date. 118 advised that to Mr B on 30 March 2023. And by then, no payments had been received since 13 January 2023 – so I consider that was a fair offer from 118. It's clear that Mr B didn't accept that offer – as he didn't bring his account up to date.

Mr B says he had fallen into arrears and his debt has been sold to a debt collection agency because of what happened. He told us he refused to pay anything while his complaint was still outstanding, firstly with 118 and then with us. I noted that 118 didn't agree to a 'standstill' on payments in that way – and our service also takes the view that normal contractual agreements continue while complaints are being reviewed.

I can see that Mr B made no payments after the credit of £20 on 13 January 2023 – and so in August 2023, 118 passed his account to a debt collection agency. As his account was, by then, more than six months in arrears (and the arrears were £2,049.68) – that was a reasonable thing for 118 to do. And, for the same reason, I think the markers on his credit file should remain – as 118 have a responsibility to report accurate information to credit reference agencies, and that's what they did here.

Mr B also argues that he was charged additional interest because of the missed payment in January 2023. We asked 118 about that and they worked out the additional interest was £7.16. But – as I don't consider 118 were at fault, nor acted unreasonably, I am not saying this should be refunded.

I appreciate that Mr B feels strongly about his complaint and will therefore be disappointed by my decision, but I'm not asking 118 to do anymore here, other than pay Mr B the £25 they've already offered.

**(continued)**

### **My final decision**

I do not uphold this complaint. Madison CF UK Limited trading as 118 118 Money has already made an offer to pay £25 to settle the complaint and I think this offer is fair in all the circumstances.

So my decision is that Madison CF UK Limited trading as 118 118 Money should pay £25.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 15 November 2023.

Martin Lord  
**Ombudsman**