

The complaint

Mr L complains that Madison CF UK Limited trading as 118 118 Money issued a default notice and defaulted his account despite Mr L making payments under a short term repayment plan.

What happened

Mr L held an account with 118 118 Money. In or around September 2022 he fell into arrears on the account.

Mr L subsequently agreed a short term repayment plan for the arrears. The first payment was due on 26 November 2022 and the plan was due to end on 26 January 2023.

Mr L made payments in accordance with the payment plan. He tried to use the account but found it had been blocked. Mr L contacted 118 118 Money to have the account unblocked but was advised that the account had been terminated on 1 January 2023 and could not be reinstated.

Mr L complained to 118 118 Money. He said he'd expected to return to normal use of the account once he'd cleared the arrears. He was unhappy that his credit file was reporting missed payments whilst he'd been in the repayment plan.

In its final response, 118 118 Money said it had followed the appropriate procedures for account default and termination, and that it was obliged to report the account history accurately to the credit reference agencies.

Mr L remained unhappy and complained to this service.

Our investigator didn't uphold the complaint. She said that although 118 118 Money could've explained the repayment plan better, the default had been correctly applied.

Mr L didn't agree. He said he'd been advised that collections activity would be paused whilst he cleared his arrears, and that the default notice shouldn't have been reported.

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've reviewed Mr L's account. I can see that the account fell into arrears in September 2022. I can also see that 118 118 Money issued a notice of default on 11 November 2022 requesting payment of £424.34 by 1 January 2023.

Mr L contacted 118 118 Money on 23 November 2022 and set up a repayment plan for 3 months.

I've reviewed the correspondence between 118 118 Money and Mr L. 118 118 Money confirmed the repayment plan in an email dated 23 November 2022. It advised Mr L that

collections activity would be suspended whilst the repayment plan was in place, but regulatory letters would still be issued. The letter also advised Mr L that whilst his account was in arrears, this may impact negatively on his credit file.

I appreciate that Mr L thought that the email meant that his account wouldn't go into default provided that he stuck to the payment plan. But this isn't what the email says. The default notice had already been issued at the time when the payment arrangement was set up. I can see that Mr L had been behind with his contractual repayments since September at the time when the notice of default was issued on 11 November 2022. I can't say that 118 118 Money made an error when it issued the notice of default, because the ICO says that a business can register a default if a consumer is behind with repayments for three months.

There's nothing in the email dated 23 November 2022 which says that the payment arrangement would prevent the account from defaulting. The reference to suspending collection activity meant that 118 118 Money wouldn't make further attempts to collect payment for the arrears. It didn't mean that the default notice would be cancelled.

I appreciate that Mr L made all of the payments under the payment plan. However, these payments didn't clear the arrears of £424.34 by 1 January 2023, which was what the notice of default required. So I'm unable to say that 118 118 Money acted unfairly when it terminated the account on 1 January 2023.

Based on what I've seen, I don't think that 118 118 Money has made an error here. It has followed the correct procedures for default and termination. I'm unable to ask 118 118 Money to remove the default because I can't see that it has been applied in error.

For the reasons I've explained, I'm unable to uphold the complaint. I won't be asking 118 118 Money to do anything further.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 27 December 2023.

Emma Davy
Ombudsman