

The complaint

Mr D complains that Madison CF UK Limited trading as 118 118 Money ("118") charged a monthly subscription fee on an inactive account.

What happened

Mr D holds a credit card account with 118. The account is a subscription fee account.

A subscription fee credit card account means that instead of being charged interest and fees for cash transactions, customers pay a flat rate monthly subscription fee. The monthly subscription fee is charged irrespective of whether the card is used.

Mr D's account initially had a credit limit of £250. He says he was offered a credit limit increase several times but chose not to take this up, because this would've caused his monthly subscription fee of £3.00 to increase.

Mr D says he was paying £6.00 per month to the account, of which £3.00 was the subscription fee and £3.00 was towards the balance.

On 7 February 2022 118 sent Mr D a Notice of Variation advising him of an increase to the monthly subscription fee to £8.00. The letter gave Mr D the option to opt out of the fee increase. The letter explained that if he opted out of the fee increase, the account would be blocked for new purchases. The letter also explained that (if he opted out) Mr D would be required to continue to pay at least his minimum monthly payment until the outstanding balance was paid down.

Mr D responded to 118 by email on 28 February 2022 and said he wanted to opt out of the increase. As a result, Mr D's account was closed to new transactions.

Mr D complained to 118. He didn't think it was fair that he still had to pay the subscription fee for an account which he wasn't using. He said he was just repaying the card now and wanted all of his £6.00 per month to go towards reducing the balance.

118 didn't uphold the complaint. In its final response dated 8 May 2024 it said the subscription fee was charged irrespective of usage of the account. It said the terms and conditions of the account stated that if a customer didn't accept a subscription fee change and opted out, the monthly subscription fee previously agreed would continue to apply until the balance was repaid.

Mr D remained unhappy and brought his complaint to this service.

Our investigator didn't uphold the complaint. He said that 118 had acted in line with the terms and conditions of the account.

Mr D didn't agree. He said the agreement didn't allow 118 to increase subscription fees and that his liability to pay the subscription fee ended when 118 increased the fee. Mr D said that he shouldn't have to pay a subscription fee to use an account which he wasn't using any more.

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 know it will disappoint Mr D but I agree with the investigators opinion. I'll explain why.

I've read and considered the whole file, but I'll only comment on those points which I think it's necessary to comment on. If I don't mention a specific point, it isn't because I've failed to take it on board and think about it, but because I don't think I need to mention it in order to reach what I think is the right outcome. The rules of this service allow me to do this.

I've reviewed the Notice of Variation letter which 118 sent to Mr D. This explains that if Mr D opted out of the subscription fee increase, the account would be blocked for new purchases. Therefore, when Mr D opted out of the fee increase, he knew that he wouldn't be able to use the account anymore.

I've also reviewed the terms and conditions of the account. Clause 9.10 is relevant to the circumstances of this complaint. It states as follows:

9.10 If you tell us within the 60 days that you do not accept the Monthly Subscription Fee change and you want to end this Agreement, the Monthly Subscription Fee we have previously agreed with you will continue to apply until you have repaid all outstanding balances. From the point of telling us you do not accept the change, you will not be able to use your Account to make any further transactions and all outstanding balances must be repaid to us within a reasonable period. We will be in touch with you to discuss what a reasonable period for repayment is.

Mr D agreed to the terms and conditions when he entered into the agreement. The terms and conditions clearly state that the monthly subscription fee will continue to apply in circumstances where the account becomes inactive.

Based on what I've seen, I'm unable to say that 118 has made an error or treated Mr D unfairly here. 118 has acted in line with the terms and conditions.

Mr D has asserted that his obligation to pay the subscription fee ended when 118 tried to increase the fee. I haven't seen anything in the terms and conditions which says this.

I appreciate that Mr D is unhappy that he's paying a subscription fee even though he's no longer using the account. However, for the reasons I've given, I'm unable to say that 118 has made an error here. I won't be asking 118 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 D to accept or reject my decision before 24 October 2024.

Emma Davy
Ombudsman