

The complaint

Miss E, who has Lasting Power of Attorney (LPA) for Mr E and brings this complaint on his behalf, is unhappy Monzo Bank Ltd allowed Mr E to open an account. There was a notice of correction on his credit file alerting businesses that he has a disorder that can lead to compulsive spending.

What happened

Mr E opened a Monzo current account in October 2021. He then transferred in £1,900 from a third-party bank account and spent it rapidly. When Miss E became aware she put a stop on the third-party account. Miss E says Monzo neglected its duty of care to Mr E given the notice on his credit file. She asks for £250 compensation for the trouble this caused.

Miss E explained Mr E can have manic episodes that lead to uncontrolled spending – he has previously spent over £40,000 in three weeks. So she has placed a notice of correction with the credit reference agencies. She says this explicitly states no financial services should be offered to Mr E without her involvement.

Monzo said there had been some service failures in its dealings with Miss E and offered a total of £75 compensation. But it said it made no error in opening the account for Mr E. It was not a credit facility and so wasn't conditional on data from the credit reference agencies. They weren't aware Miss E had an LPA and control of Mr E's finances.

Our investigator upheld the complaint in part. He said he had to consider that Mr E clearly had access to money via the third-party account, irrespective of opening the Monzo account, and so he could not hold Monzo liable for the 'loss' of money that was transferred and spent. But, he felt Monzo ought to have reacted to the information in the notice of correction and contacted Miss E. For failing in its duty of care towards Mr E, and the trouble this caused Miss E, it should pay an additional £150 compensation.

Miss E accepted this assessment. Monzo did not. It asked for an ombudsman's review saying the notice of correction referred only to loans or credit facilities – this was a current account with no overdraft. And more importantly it would only see a notice of correction if a customer was applying for credit. It has complied with its obligations and so an additional £150 compensation is unfair.

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 am upholding this complaint in part.

I first want to clarify that whilst Miss E has a lasting power of attorney for Mr E and so can bring this complaint on his behalf, Mr E is the eligible complainant as the customer of Monzo. This means if I find Monzo has done something wrong that it needs to put right, I can only consider compensation for Mr E and not Miss E, as his representative.

Monzo says that it would only have seen the notice of correction for a credit application, this was a current account with no overdraft. I asked for the results of the search it undertook prior to opening Mr E's account.

The notice of correction Miss E had placed on Mr E's credit file appears on this report, and explains Mr E's condition means he is at risk of uncontrolled spending. Monzo might be saying it does not review this section for current account applications, but as a responsible bank I would expect it to react to, and take into account, all the data it gathers during its application checks. This means I find it did fail Mr E. It was in the position to prevent him from compulsive spending and did not.

There has also been debate during this investigation as to whether the notice was relevant as it refers to Mr E applying for any form of credit or loan, and this account had no overdraft facility meaning there was no lending involved. But I think that is contrary to the spirit of the notice and not a fair or reasonable position – plus, the notice concludes by saying '*No facilities should be extended to Mr E without the prior approval of Miss E*'.

It follows I find Monzo got something wrong that it needs to put right. Our investigator acknowledged that its lack of care caused Miss E trouble and upset. But I need to consider the impact on Mr E as the eligible complaint. I think it's reasonable to conclude that he too would have been distressed and adversely impacted once Miss E became aware of what he had done, and the account needed closing. So I think it remains fair for Monzo to pay £150 compensation, but to Mr E. Like our investigator I don't think Monzo can be held liable for the financial loss Mr E suffered by his compulsive spending from the Monzo account as it seems he had access to the funds anyway.

Putting things right

Monzo must pay Mr E £150 compensation in full and final settlement of this complaint.

My final decision

I am upholding this complaint in part. Monzo Bank Ltd must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E, on behalf of Mr E, to accept or reject my decision before 30 November 2022.

Rebecca Connelley
Ombudsman