

The complaint

Mr D complains that Monzo Bank Ltd gave him incorrect information about a breathing space arrangement, which he says he relied on to his detriment.

What happened

Mr D had a loan account with Monzo Bank. During 2022, it became difficult for him to maintain the monthly repayments, so he contacted Monzo Bank in August to ask for help. Monzo Bank applied breathing space to his account until early September. Mr D was told that he wouldn't have to make a payment during the breathing space and that the missed payment would be tacked on to the end of the loan, effectively extending the loan term.

After the breathing space ended, Monzo Bank contacted Mr D to say he was behind with his loan and asked him to catch up with the payments. He responded to say he wouldn't have funds until the end of the month, as he'd previously told Monzo Bank. Following numerous messages on the online chat facility, Monzo Bank told Mr D that the missed loan payment wouldn't be added to the end of the loan. It said that he was in arrears and it could look at repayment plans. Mr D said that wasn't what he'd been told when he accepted the breathing space arrangement, so Monzo Bank logged a complaint.

Mr D agreed a repayment plan, but he was very unhappy about the situation. He says he accepted the breathing space on the basis of the information given by Monzo Bank's agent, which turned out to be incorrect. He says that, as a result, he had to enter a repayment plan which meant he was paying back more each month than before (so that the arrears would be cleared within the original loan term). He also says that his credit file has been adversely affected because the account has been reported as being in an arrangement.

Monzo Bank accepted that the information Mr D was given in August was wrong. It said he shouldn't have been told that the missed payment would be tacked on to the end of the repayment period. It upheld the complaint and offered Mr D £50 as an apology for the inconvenience and upset caused.

Mr D wasn't happy with this and asked this service to look at the complaint. I issued a provisional decision on 7 June indicating my intention to uphold the complaint. Both parties accepted my provisional findings, so I'm making a final decision on the same basis.

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.

It's not in dispute that the advice Monzo Bank gave Mr D about breathing space was incorrect. Mr D asked if the missed September payment would be tacked on to the end of the loan term. Monzo Bank said yes. But this wasn't right. Instead, the loan was treated as being in arrears and Monzo Bank required Mr D to repay it (or enter into an arrangement) as soon as the breathing space ended.

Mr D says he relied on the information he'd been given when he decided to accept the breathing space arrangement. I'm satisfied that's the case.

Mr D says he's worse off as a result of accepting the breathing space. I understand that the loan has now been repaid in full. Mr D didn't repay more overall than he'd have paid otherwise, so he's not worse off in that sense. And I note that Monzo Bank didn't apply interest while the repayment plan was in place, which I think is fair.

But, rather than extending the repayment period, the breathing space had the effect of putting Mr D's account in arrears and requiring him to immediately take action to address those arrears. So, at a time when he was struggling financially, he had to agree a repayment plan which meant he was paying more each month than he'd been paying when he asked for help. So, I think he did suffer a detriment through having to make the increased monthly repayments from October 2022 onwards, which I don't doubt was difficult and stressful.

Mr D's credit file has also been adversely affected because the arrangement has been reported to the Credit Reference Agencies.

Mr D says that, if he'd known how the breathing space would affect his loan account, he wouldn't have agreed to it. He says that, at the time, he could have borrowed money from family, withdrawn savings or made a cash transfer from one of his credit cards to make the September payment, rather than end up in this situation. I have no reason to doubt what he says about this.

So, in summary, the advice Monzo Bank gave about breathing space was incorrect. Mr D relied on it and is worse off as a result. Monzo Bank agrees that the advice was incorrect and has offered Mr D £50. But I don't think that's enough to reflect the impact of its mistake.

When he brought the complaint to this service, Mr D said he wanted the monthly repayments to revert to their original amount, for the loan term to be extended and for Monzo Bank to refund his overpayments from October onwards. But since then, the loan has been repaid in full. So I don't need to ask Monzo Bank to make any changes to the loan term or the repayments.

Instead, I think the appropriate resolution would be for Monzo Bank to pay Mr D compensation to reflect the impact of its mistake, so far as possible. The situation was distressing, caused him inconvenience and led to higher repayments over a few months. But this has to be balanced against the fact that Mr D hasn't paid more overall as a result of Monzo Bank's mistake and, even if the loan term had been extended, this would only have been by one month. In the circumstances, I think £200 would be a fair amount of compensation.

I think Mr D's credit file should be amended as well. Although it was accurate for Monzo Bank to report the account as being in an arrangement, I don't think it was fair that Mr D ended up in that situation. If he'd been given accurate information by Monzo Bank, I don't think he'd have agreed to the breathing space and I don't think he'd have ended up in a repayment plan. So I think Monzo Bank should amend its reporting of the account so that it's not shown as having been in an arrangement.

I understand that Monzo Bank reported a missed payment for September. I'm not going to ask it to amend that, as I find that it told Mr D in August that his credit report would show missed payments if he didn't make them while on breathing space.

My final decision

For the reasons above, I uphold this complaint. Monzo Bank Ltd should:

- pay Mr D compensation of £200, and
- ask the Credit Reference Agencies to amend Mr D's credit file so that the account isn't reported as having been in an arrangement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 19 July 2023.

Katy Kidd
Ombudsman