

## **The complaint**

Mr T complains that it wasn't made clear to him by Monzo Bank Ltd ("Monzo") when he agreed a flex repayment plan that this may affect his ability to increase his overdraft limit. This resulted in him being unable to pay essential bills.

## **What happened**

Mr T held a flex account with Monzo with an overdraft. One of the features of the account was the ability to purchase products and pay back in instalments of up to 12 months.

Mr T by webchat got in contact with Monzo and asked that it restrict his ability to flex payments totally until all the amount he owed on flex payment is paid back. Monzo agreed a repayment plan with Mr T which would stop him from being able to use the flex feature and confirmed once his balance was cleared it would close the flex.

Monzo confirmed that it would have to report this plan on his credit file as being in an arrangement and that it may have a negative effect on his credit score which Mr T acknowledged and agreed to. Mr T had also reduced his overdraft limit to £650.

Following this Mr T found he was no longer able to increase his overdraft limit through the app and that it had been capped at £650. Mr T complained to Monzo about this as he was unable to pay bills and rent.

Monzo said it didn't cap Mr T's overdraft limit and explained every time Mr T requests to increase his overdraft limit that this is treated as a new application which needs to meet its lending criteria to be successful and that Mr T was no longer eligible for an increase. Monzo was also unable to offer temporary lending. But Monzo compensated Mr T £100 for the service he received.

Mr T was dis-satisfied with this and brought his complaint to this service. He says it wasn't made clear that entering a repayment plan regarding his flex account would affect his ability to increase his overdraft limit. Monzo says all overdraft increases are subject to application and approval so it wouldn't have been able to tell Mr T if putting the repayment plan in place would affect his eligibility to increase his overdraft.

One of our adjudicators looked into Mr T's concerns and reached the conclusion that although Monzo provided Mr T with help and support by setting up a repayment plan for his flex account in line with what we'd expect and compensated Mr T £100 for the delays in service received, they didn't think Monzo had gone far enough.

In particular they didn't think Monzo went far enough in explaining the ramifications the repayment plan would have when applying for other lending and failed to ensure Mr T understood that when his credit file is changed since he last adjusted his overdraft limit the amount that Monzo will approve is subject to change. This resulted with Mr T being left in a vulnerable position being short of funds to pay for essential bills. They thought Monzo should compensate Mr T a further £150 for the distress this caused

Monzo disagreed and has asked for an ombudsman's decision.

### **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 hope that Mr T won't take it as a discourtesy that I've condensed his complaint in the way that I have. Ours is an informal dispute resolution service, and I've concentrated on what I consider to be the crux of the complaint. Our rules allow me to do that. And the crux of Mr T's complaint is that Monzo failed to make it clear that entering a repayment plan may affect his ability to increase his overdraft limit.

Having considered everything provided, I'm in agreement with our adjudicator and their recommendations. While it is not disputed that Monzo did make it clear to Mr T that his credit file may be negatively impacted by him entering a repayment plan, I can't see that Monzo ever explained that this may mean he wouldn't be able to increase his overdraft limit with it.

Monzo says it wasn't able to foresee that future requests' for overdraft limit increases would be declined, as every application is treated as a new application which needs to meet its lending criteria to be successful. That may well be the case, but I think it is reasonably foreseeable that entering into a repayment plan that may impact one's credit file negatively, would also likely impact their ability to borrow further and that had Mr T understood this he might not have agreed to the plan.

Mr T found himself in a vulnerable position being no longer able to increase his overdraft limit online as he had done in the past and being unable to pay essential bills. This no doubt caused him some distress. And while Monzo isn't obliged to provide Mr T with further credit if he doesn't meet its lending criteria, I think compensating Mr T £150 for the distress and inconvenience caused by not making it clear that entering a repayment plan may affect further lending would be a fair and reasonable way to settle this complaint.

So overall and having considered everything I uphold Mr T's complaint and direct that Monzo pay Mr T compensation of £150.

### **My final decision**

For the reasons I've explained I've decided to uphold Mr T's complaint against Monzo Bank Ltd and direct it pay the fair compensation outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 29 September 2023.

Caroline Davies  
**Ombudsman**