

The complaint

Mr D complains that Monzo Bank Ltd unfairly recorded adverse information on his credit file. He wants this removed and compensation for the distress, depression and upset this has caused him.

What happened

Mr D says that in June 2022 he unexpectedly went into an unarranged overdraft. He says he made a number of enquiries as to how this had happened and then agreed a payment plan starting 22 June 2022. He says Monzo agreed to stop all interest and charges until 22 September 2022 to allow him to bring his account back up to date and he was told during this period his account would be reported to the credit reference agencies as being 'in an arrangement'. However, a default was then applied to his account on 24 August 2022. He says this is unfair as he was in a payment arrangement and didn't receive the default notice as this was sent by email and went into his junk folder.

Monzo issued a final response letter dated 19 October 2022. It said that on 24 August it made a commercial decision to close Mr D's account in accordance with its terms and conditions. It said it was unable to reverse this decision as the account had defaulted due to an unarranged overdraft. It said that when the payment plan was set up on 22 June 2022, it informed Mr D that his account could still be defaulted and that this was also explained on the chat on 23 July 2022.

Our investigator didn't uphold this complaint. She thought that Monzo had acted fairly when Mr D explained his financial circumstances and given the income and expenditure assessment showed a deficit on Mr D's account, she thought it reasonable it applied an interest and charges freeze to his account. She said that Monzo had informed Mr D that the overdraft was still repayable on demand and that if payment wasn't made when requested his account could be defaulted. She noted that Mr D thought he had until 22 September 2022 to bring his account up to date but said that there wasn't evidence to show this had been agreed but instead that interest and charges had been frozen. That said she didn't think that had Mr D been provided with another month before the account defaulted this would have changed the outcome.

Mr D didn't agree with our investigator's view. He didn't accept that it was made clear that his account could still be defaulted while he was in an arrangement. He said the default notice was sent less than two months after he entered the unarranged overdraft and his response to the chat made it clear he wasn't expecting a default given he was in an arrangement. He said his account was defaulted too early and that he had an additional payment in July and noting the outstanding balance of £115 had he had the opportunity to clear his balance in three to six months then that would have been a fair approach.

As a resolution hasn't been agreed, this case has been passed to me an ombudsman to issue a 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 can understand why Mr D is upset that his account was defaulted by Monzo in August 2022 when he had an arrangement in place. But for me to uphold this complaint I would need to be satisfied that Monzo did something wrong or treated Mr D unfairly by applying the default.

Mr D's account went into unarranged overdraft on 15 June 2022. Monzo notified Mr D of this and sent him a reminder about the situation the following day. On 22 June, there was contact between Mr D and Monzo and an income and expenditure assessment was carried out. This showed that Mr D had negative disposable income. Given this Monzo applied a zero affordability plan to Mr D's account. Mr D was sent details of the plan which confirmed the interest and charges on his account had been frozen until 22 September 2022. I find this was a reasonable response to Mr D's circumstances. The details set out that the plan didn't change the terms and conditions of his overdraft and that this could still be removed or reduced on demand and that payment would then be needed within 30 days or a default would be reported.

On 23 July 2022, Mr D was given notification that as his account was still in an unarranged overdraft it would be defaulted in 30 days. I understand Mr D's comments about this and that he asked why he was being told about this when he was in a payment arrangement. He was told that as he was on a zero affordability plan his account could still be defaulted. In this case, I think the information that was provided gave Mr D adequate notification that his account was at risk of default.

Mr D says that his account was defaulted too soon as he went into unarranged overdraft less than three months before the default was applied. Monzo has said it has different timescales for different issues and that the default to Mr D's account was applied in line with its usual processes. I can see from the online chat that Monzo told Mr D on 22 June that he had until 14 August 2022 to clear the unarranged balance. As he said he needed more time, the discussion about the payment plan was started and it was identified that Mr D didn't have any available funds to pay towards the outstanding balance. While the zero affordability plan was put in place this made it clear that it didn't change the terms of the account and so I do not find that Monzo was wrong to continue with its usual account default process.

Taking everything into account, I accept that Monzo followed its usual process in the action it took regarding Mr D's account, and I cannot say it treated him unfairly. Monzo provided Mr D with notice of the action that would be taken if payment wasn't made by the required date. Therefore, I find that Monzo provided Mr D with information he needed in regard to the status of his account and so I do not find I can uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 7 February 2024.

Jane Archer
Ombudsman