

The complaint

Miss G complains about Monzo Bank Ltd's handling of her flexible payments towards an outstanding debt. She said she was told she could make smaller payments, but this wasn't put in place by Monzo due to its lack of contact and action.

What happened

Miss G complained to Monzo but said it twice failed to respond within the eight-week time limit and provided poor customer service and misleading information. Miss G said she has experienced long call wait times and unfulfilled promises of call backs from managers. And she said she had been misinformed with assurances that her flexible debt payment under the 'Breathing Space' arrangement would not impact her credit score, which has proven not to be true.

The poor customer experience began for Miss G when she informed Monzo of her difficult financial situation and requested it reduce the amount she has to pay, and Monzo agreed. She wants to be compensated for the financial loss she's had and for the misleading information provided, and she wants Monzo to rectify her credit rating.

Miss G raised a second complaint, which Monzo responded to, but she was unhappy as Monzo didn't look into the calls recordings which showed the poor advice it provided to her. To settle her complaint, Miss G would like compensation for the distress caused and for Monzo to clear the negative information from her credit file.

Our investigator recommended that the complaint be upheld. He said Miss G approached Monzo for support to help clear the debt in smaller payments and was happy to set up a payment plan. But due to Monzo's delays, she raised a complaint and Monzo told her it would put the account under 'Breathing Space' arrangements while it looked into what happened and said the Breathing Space wouldn't affect her credit rating.

The investigator said Miss G noticed her credit rating had been affected by the recording of missed payments and had she known this, she would have made at least the minimum payments. Monzo then automatically issued a default notice, forcing her to pay the full balance to avoid a default from being registered. He said Miss G had followed Monzo's guidance and had done all she could to alert Monzo that action needed to be taken and she complied with any and all requests in a prompt manner.

The investigator said Miss G was caused considerable distress and unnecessary financial pressure. He recommended that Monzo issue an amendment to the credit reference agencies clearing all adverse information regarding late payments on Miss G's account. And in respect of her distress and inconvenience it should pay her £250 compensation.

Miss G agreed with the investigator, but Monzo responded to say it had been unable to meet deadlines and requested an extension until 5 December 2023.

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.

Monzo hasn't provided its file in response to Miss G's complaint, and hasn't responded to our investigator's view even though we have allowed the additional time it requested.

Miss G felt it was unreasonable of Monzo to issue a default when she was still waiting for it to process her request to pay back her debt in smaller instalments. She said she completed two income and expenditure forms, but Monzo didn't get back to her, and over time this led to the default process.

I can understand that Miss G felt reassured her credit file wouldn't be affected by the temporary breathing space provided, and while Monzo looked into her complaint and set up a payment plan for her to pay the balance in smaller instalments. She received reassurance about this on calls with Monzo. I can see her frustration when the end result was that she faced a default being registered on her credit file.

Miss G said she called Monzo several times and had long wait times to speak with an agent, only to be assured that everything with her account was alright. Miss G then received notifications about missed payments and on checking, Monzo confirmed it wouldn't affect her credit file.

I think Miss G would have made the minimum payments to her debt had she known the likelihood of a default but was assured by Monzo that all was in order. However, when confronted with the prospective default notice, it was understandable that Miss G wanted to avoid the impact on her credit file of an adverse marker for six years by clearing the whole debt, even though this affected her finances.

I can understand Miss G's upset to receive a default notice in the post, when Monzo hadn't responded to her complaint. I agree with Miss G that it was reasonable for her to await the outcome of her complaint before proceeding with repayment options in a new plan as these were related issues.

Miss G needed Monzo's support at a difficult time but didn't receive it. There's nothing from Monzo to suggest that anything other than the version of events from Miss G took place, and so I find this to be persuasive. In conclusion, I find that Monzo's lack of action and failure to address Miss G's difficult circumstances made her situation more stressful and problematic than it needed to be.

Putting things right

I agree with the investigator that Monzo hasn't treated Miss G fairly and its poor communications and service have adversely affected her. I think that Monzo should correct Miss G's credit file and pay her compensation for the impact its poor service has had upon her.

My final decision

For the reasons I have given it is my final decision that the complaint is upheld.

I require Monzo Bank Ltd to issue an amendment to the credit reference agencies clearing all adverse information regarding late payments on Miss G's account. I also require Monzo Bank Ltd to pay Miss G £250 compensation for the long delay it caused in responding to her

and the time she has spent pursuing Monzo for information, as well as the distress and inconvenience it caused by sending the default notice.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 3 January 2024.

Andrew Fraser
Ombudsman