

The complaint

Ms R complains about difficulties and delays she encountered with Monzo Bank Ltd (Monzo) when trying to cancel a direct debit.

What happened

In November 2022, Ms R joined a gym which I will call A and set up a monthly direct debit to pay for the membership. Soon after, Ms R needed to cancel the membership for medical reasons and says she did so with A on two occasions, however, the payments continued to be taken so she asked them to be refunded.

A directed Ms R to her bank, Monzo, who she asked to refund the payments under the Direct Debit Indemnity Scheme (DDIC). Monzo incorrectly told Ms R that the arrangement with A was a subscription and not a direct debit and therefore they could not process the refund and they directed her back to A. They did add that if Ms R could get written confirmation from A that they had taken the payments in error, Monzo could investigate further.

As Ms R had already spoken to A on several occasions without success, in April 2023, she logged a complaint with Monzo. Monzo did not provide a final response until August in which they partially upheld the complaint. They didn't uphold the DDIC aspect saying they acted in accordance with it, but did uphold how long it took them to provide a final response. For this, they offered a £25 gesture of apology.

Unhappy with this, Ms R brought the complaint to our service. Our investigator didn't uphold the part of the complaint relating to the DDIC saying that Monzo applied it correctly and were entitled to ask Ms R to obtain proof from A that the payments had been taken in error. They did however uphold the part of the complaint relating to Monzo's incorrect information about the arrangement being a subscription and recommended that Monzo should refund one payment of £49.00 and increase the compensation payment from £25 to £50.

Monzo responded saying that Ms R would have been informed via their app that the direct debit remained live and payments were being claimed yet did not take the earliest opportunity to cancel it. They also declined to refund a payment. After further correspondence, Monzo eventually agreed to our investigator's recommendations however, Ms R remained dissatisfied and requested an ombudsman review her complaint.

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 have looked at the information Monzo has supplied to see if it has acted within its terms and conditions, and to see if it has treated Ms R fairly.

What's not in question is whether errors were made; specifically the information given to Ms R by Monzo about the direct debit, and the delay in providing a final response to her complaint. I'm satisfied that within their apologies and the later actions they took, they treated Ms R fairly and I will explain my reasons.

To give some background to the DDIC, it is there to address any changes to the amount, date or frequency of a direct debit. If an error is made by the organisation or the bank or building society, the customer is entitled to a full and immediate refund of the amount paid. However, if for example payments are taken after a customer says they cancelled an instruction with the company, the bank involved can request more information from the customer including evidence that the payments were taken in error. The wording from the company that provides the DDIC does states that the customer should get in touch with their bank or building society first to cancel a direct debit, or they can cancel online or via a banking app. It goes on to say that it's also worth telling the organisation they were paying that they've stopped the direct debit.

Among the telephone calls I listened to was a call made to Monzo from Ms R in February 2023 in which the direct debit was discussed. In response to Ms R asking what direct debits she had, it was confirmed by the Monzo staff member that there was only one direct debit showing which was to A. Ms R responded to this saying 'that's okay' and went on to say that she was in the process of speaking to A saying she'd asked them to cancel the instruction. However, despite the Monzo staff member saying that Ms R could cancel the direct debit via the app, and Ms R being in dispute with A, she did not cancel the instruction until the end of April 2023 which allowed payments to be debited for March and April.

What I am unsure about is why, when Ms R was presented with opportunities to cancel the direct debit with Monzo, knowing she was in dispute with A, did she continue to pursue A rather than cancel the instruction with Monzo which would have ensured no further payments.

Monzo requested evidence from A about the payments taken after Ms R said she cancelled the instruction. I have not seen any evidence this has been supplied, but I consider the investigator has set out the fair outcome to this complaint.

Monzo have agreed to a £50 compensation payment along with a refund of one payment of £49. Given that this dispute involves five payments of £49 (December 2022 to April 2023) and we can disregard one of them as in one call that I listened to from February, Ms R said December's payment was paid by card, this leaves payments taken in January, February, March and April in dispute.

I have mentioned above the telephone call I listened to from late February in which Ms R was told she could cancel the instruction. Had she have done so, the payments in March and April would not have been taken. Therefore, this only leaves two payments to dispute which were taken in January and February giving a total of £98.00. In conclusion, I regard the current offer of compensation as a fair and reasonable outcome in the circumstances of this complaint.

My final decision

For the reasons I have given, it is my final decision that the complaint is upheld. I require Monzo Bank Ltd pay Ms R £49 as a refund of one of her monthly direct debits and £50 for her distress and inconvenience, less anything it has already paid to her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms R to accept or reject my decision before 15 April 2024.

Chris Blamires
Ombudsman