

The complaint

Mr L complains Monzo Bank Ltd hasn't provided him with support while he's been in financial difficulties; and that it continued to charge him interest on an overdraft facility.

What happened

Monzo provided Mr L with a £1,000 overdraft facility in May 2019.

Mr L complained to Monzo in September 2022. He said it hasn't supported him while he's been in financial difficulties; and that it continued to charge him interest on an unaffordable overdraft facility.

Mr L brought his complaint to our Service in March 2023 as Monzo hadn't issued him with a final response within the regulatory timescales.

Monzo then issued its final response in May 2023. It didn't uphold Mr L's complaint about its handling of the financial difficulties; or his concerns around the interest charged for the overdraft facility. It said its management of Mr L's overdraft facility was in line with its regulatory obligations at the time; and that it didn't consider it had acted unfairly or unreasonably in its dealing with him in relation to his financial difficulties. Monzo did however offer Mr L £130 compensation for the delays in providing him with its final response.

Our Investigator considered the details of the complaint and upheld it. She said Monzo hadn't reasonably assessed Mr L's financial circumstances at the point it should have conducted its first regular review. She went on to conclude that it wasn't reasonable for Monzo to continue adding interest to Mr L's account from May 2020 onwards; and she therefore recommended Monzo needed to take further action to fairly resolve the complaint.

Mr L didn't respond to our Investigator's outcome; Monzo didn't accept it. It provided detailed information about the steps it took when looking to support Mr L when it says it reasonably identified he may be experiencing financial difficulties due to his overdraft use. It maintained its position that it had fairly continued to add interest to the account, ultimately providing support and stopping further interest once Mr L engaged with it in 2021.

Our Investigator reviewed Monzo's arguments and explained why it didn't change her outcome. Monzo maintained its position, so the complaint's been passed to me to decide.

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.

Having done so I've reached the same outcome as our Investigator; for broadly the same reasons.

In deciding this case I've considered Monzo's obligations to Mr L in relation to the continual review and management of the overdraft facility. The Consumer Credit Sourcebook (CONC)

within the Financial Conduct Authority (FCA) Handbook sets out the steps Monzo needed to take in continually monitoring the facility it was providing.

CONC 5D.2 sets out a business's obligation to identify customers in actual or potential financial difficulties; and its obligations in monitoring and identifying repeat use of an overdraft facility. It also provides examples of what might indicate financial difficulties, which includes an upward trend in a customer's use of an overdraft facility over time.

CONC 5D.3 sets out the steps a business must take to intervene where a customer is repeatedly using their overdraft and there are signs that a customer is (or may potentially be) in financial difficulties.

This includes, but isn't limited to, communicating with the customer, and if after a reasonable period of time the pattern continues and the customer hasn't engaged, the business must look to take reasonable steps to set out suitable alternative options; or consider whether to continue offering the overdraft facility on the same terms, as long as this doesn't cause the customer financial hardship.

Monzo has said it did identify Mr L as being an overdraft repeat usage customer by March 2020; and that it did intervene in a reasonable way. It says it's satisfied it provided Mr L with details of the support that was available to him and encouraged him to engage with it. However, while it accepts Mr L was showing signs of overdraft repeat usage, it says it fairly continued to provide Mr L with the overdraft facility and apply interest until he engaged with it in May 2021 and it exercised forbearance.

I've carefully considered Monzo's arguments here; and having done so I'm not persuaded it did act fairly when continuing to add overdraft interest to Mr L's account from May 2020.

I've reviewed the bank statements Monzo has provided this Service between May 2019 and April 2022.

I've seen that from May 2019, when the overdraft was put in place, Mr L used the account largely in a credit position. But from early October 2019 Mr L's utilisation of the £1,000 overdraft facility steadily increases; and the account never returns to a credit position again. By mid-December 2019 Mr L was close to the £1,000 limit. And while the overdraft balance reduces slightly in March 2020 due to a refunded payment, from May 2020 until April 2022 Mr L's overdraft utilisation is generally above 95%. Across the full three-year period Mr L largely transfers nominal amounts in from another account, generally to ensure the balance remains within the authorised overdraft limit.

I've seen by May 2020 Mr L's account had been in a continual overdraft position for around eight months; significantly, the most recent eight months leading up to the first review point.

So, by May 2020 I consider Monzo had enough information to have reasonably engaged with Mr L to discuss the continual overdraft position; and to have looked to understand his financial circumstances and discuss arrangements to help him.

I've seen Monzo sent Mr L 45-day and 90-day notifications via its app in early December 2019 and mid-January 2020; because the account hadn't entered a credit position in the period. It has also said that by March 2020 Mr L's overdraft facility was identified as being in repeat usage. However, it has said between March 2020 and August 2020 it had turned off its repeat usage messaging, because of COVID-19; partly in order to support the increased volume of contact it was receiving from its customers at this time, and that it understood its customers may be experiencing more of a strain on their finances.

When it switched its repeat usage messaging back on, I've seen it sent messages to Mr L via its app in September and October 2020 and January and April 2021. Monzo has provided evidence of the support that would have been provided to Mr L once he made contact with it; but it's important to note Mr L didn't engage with this contact until May 2021, although once he did it took forbearance measures to support his financial position.

While I accept Monzo continued to look to engage with Mr L in late 2020 onwards because of the use of his overdraft facility, I consider it ought reasonably to have taken steps prior to this. I say this because having considered the information available to Monzo, and that it had identified Mr L's overdraft facility was in repeat usage by March 2020, I consider it ought reasonably to have taken further steps to engage with Mr L and intervene at the point of the first review of the overdraft facility, which I consider would be one year from its lending decision, in May 2020.

I say this because as I've set out above, Mr L's account was in a consistent overdraft position with utilisation generally averaging above 95% for eight months by May 2020. While Mr L was making some debit transactions on the account, these were generally for low value amounts; and he regularly transferred funds in from another account to ensure his overdraft facility didn't breach the agreed limit and go into an unauthorised position.

I consider Monzo's contact should have continued from March 2020, and it should have acted if engagement wasn't successful at the time of its first review of the facility, which I've found above should have been in May 2020. Had it taken these further steps I consider it would more likely, on balance, have identified Mr L was in financial difficulties, and it ought to have stopped adding interest to Mr L's account from May 2020 onwards. As such, I'm therefore satisfied Monzo didn't continue to fairly add interest to Mr L's account from May 2020 onwards.

Mr L has made our Service aware of ongoing health and financial matters that he has, and continues to, experience. I am sorry to learn of Mr L's ongoing personal circumstances. Mr L has said that Monzo should write off the outstanding balance because of his circumstances; and that it hasn't treated him fairly when dealing with his financial difficulties.

I've very carefully considered Mr L's comments; and I've reviewed the detailed submissions he's made to both our Service and to Monzo about this. Having done so, I can't agree that Monzo should look to write off the outstanding balance. I say this because while I understand Mr L's circumstances have deteriorated since Monzo's lending decision, he has had the use of the funds that he borrowed, and I therefore consider it reasonable that the capital borrowed is repaid.

I've seen that Monzo has offered forbearance and support given Mr L's financial circumstances from 2021 onwards. But Monzo is entitled to review the support it offers on a regular basis and take more decisive steps if it would be reasonable to do so, based on the individual circumstances and probable success of any outstanding debt being repaid.

So, I can't agree Monzo hasn't treated Mr L fairly in the individual circumstances.

Putting things right

As I've found above that Monzo Bank Ltd should have taken further steps to support Mr L when I consider it ought reasonably to have identified he was in financial difficulties, it follows that it should take the following action to settle the complaint:

- Re-work Mr L's current overdraft balance so that all interest, fees and charges applied to it from May 2020 onwards are removed

AND

- If an outstanding balance will remain on the overdraft once these adjustments have been made, Monzo Bank Ltd should contact Mr L to arrange a suitable repayment plan for the outstanding balance
- Mr L has made Monzo Bank Ltd aware of his personal circumstances; so, I would remind Monzo Bank Ltd of its obligations to treat Mr L fairly and sympathetically when looking to arrange any repayment plan for the outstanding debt
- If it considers it appropriate to record negative information on Mr L's credit file, it should backdate this to May 2020

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr L, along with 8% simple interest on the overpayments. If no outstanding balance remains after all adjustments have been made, then Monzo Bank Ltd should remove any adverse information from Mr L's credit file. †

If Monzo Bank Ltd have sold this debt to a third party it should ensure the above redress is applied by either liaising with the third party or buying back the debt.

Monzo Bank Ltd made an offer of £130 in its final response letter for the delay in responding to Mr L's complaint. I consider this payment to be reasonable to reflect the impact of its delay in reviewing and responding to Mr L's complaint. So, if Monzo Bank Ltd has not yet made this payment, it should now look to do so on receipt of Mr L's banking details.

†HM Revenue & Customs requires Monzo Bank Ltd to deduct tax from any award of interest. It must give Mr L a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

For the reasons I've set out I'm upholding Mr L's complaint about Monzo Bank Ltd and require it to take the above actions in settlement of the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 12 April 2024.

Richard Turner
Ombudsman