

## The complaint

Miss M is complaining about Monzo Bank Ltd because it defaulted her account at a time when she was agreeing a repayment plan to pay back money she owed. She's also dissatisfied with the service she received, particularly delays in responding to her emails.

## What happened

Monzo closed Miss M's current account in February 2023, at which point there was a negative balance of £1,019.

Unfortunately, Miss M had lost her job shortly before this and wasn't in a position to repay this amount immediately. She completed a budget plan but Monzo wrote to her on 5 April to say this showed she couldn't afford to repay the debt as her outgoings exceeded her income.

On 17 April, Miss M contacted Monzo to say she was back working again and wanted to arrange a repayment plan and, on 24 April, she offered to repay the balance over four months.

On 25 April, Monzo sent Miss M a message warning of its intention to default the account shortly. No date was given about when the default would be applied, but the message did say:

*You can avoid this happening if you get in touch before 25 May 2023 and make a plan to repay what you owe.*

On the same day, Miss M responded to repeat her offer to make payment in four instalments and suggesting this could start on 25 May.

Monzo responded on 1 May to confirm it could accept Miss M's proposals if she was insisting that it's affordable for her. But before putting anything in place it did ask some further questions and asked her to complete a budget assessment. The letter also advised 'breathing space' had been applied to the account until 31 May 2023 and said she had 30 days to complete the budget assessment. The letter also said Monzo would send a message the day before the breathing space was due to end and it's not currently clear whether this reminder was sent.

Miss M then contacted Monzo on 1 June to ask if she could make lower repayments of £150 per month instead. Monzo responded on 7 June to say this was OK if that amount was affordable. Miss M notified Monzo she'd completed her budget assessment on 13 June and on 9 July it confirmed acceptance of a plan by which she'd pay £150 per month with a final payment due in January 2024.

While these conversations were happening, Monzo defaulted the account on 2 June and informed the credit reference agencies (CRAs) of this.

I understand Miss M has now repaid the outstanding account balance in full and Monzo confirmed this in a message to her dated 12 December.

After the complaint was referred to me, I issued my provisional decision setting out why I believed it should be upheld. My reasons were as follows:

*The key points Monzo has relied on to justify its decision to default the account are the default notice issued on 25 April and its email giving breathing space on 1 May.*

*The default notice advised Miss M that she could avoid default if she contacted Monzo before 25 May to try and arrange a repayment plan. In fact, she'd already done this a few days earlier and she followed up again immediately after the message was received. So I think she was entitled to believe she was now in discussions with Monzo about repaying the outstanding balance and that the threat of default had been removed for the time being.*

*Monzo's response on 1 May told Miss M breathing space had been applied until 31 May so she could complete a budget assessment. But, crucially for me, it didn't tell her the account would be defaulted if she didn't respond before this date. As no such warning was given and in view of the fact Miss M was discussing a repayment plan and had responded before 25 May deadline given in the default notice, I don't think it would have been clear the account would be defaulted if she didn't reply by 31 May.*

*As it was, she responded on 1 June, immediately after the breathing space ended, to propose a slightly different plan to that she'd suggested earlier and that Monzo had concluded was unaffordable. Her alternative plan was accepted by Monzo and it seems clear Miss M actually paid the full amount owed sooner than expected.*

*Monzo's response to our investigator seems to be saying that a default wouldn't have been applied if Miss M had sent her 1 June email a day earlier, before the breathing space ended. My concern is that Monzo didn't clearly explain this to her on 1 May and, given she'd met the conditions set out in the default notice, I don't think she would have been aware of this consequence. Miss M had been actively discussing a payment arrangement with Monzo since she returned to work in April and I think the fact she honoured the agreement and actually settled it early shows a clear intent to pay. If Monzo had spelled out on 1 May that the account would be defaulted if she didn't reply by 31 May, I think it's almost certain Miss M would have made sure she did what was needed before that date so this outcome was avoided.*

*I might have more sympathy for Monzo's arguments if, following its message of 1 May, Miss M hadn't contacted it again until after she was told the account had been defaulted on 2 June. But this isn't what happened and she contacted Monzo with a proposed payment plan that it ultimately accepted a day earlier on 1 June. In the circumstances, I don't think it was appropriate for Monzo to default the account as there were active discussions about a repayment plan and Miss M had initiated these discussions before the deadline in the default notice.*

*I'll come back to the level of service Miss M received, but I note there was a significant delay in responding to her message of 1 June. Monzo didn't reply until 7 June and the response began by saying:*

*I'm sorry again for the delay in responding to you, we're still experiencing a high demand for support at the moment.*

*I wonder if the delay in addressing Miss M's message goes some way to explaining why the account was defaulted when it was. If Monzo had seen and acted on her 1 June proposal promptly, I'm not sure it would have then proceeded to default the account so quickly and without further warning.*

*Turning to the service Miss M received in more detail, I think there were significant failings. In particular, I note:*

- *there were repeated delays – often up to a week – in responding to Miss M's messages;*
- *on a number of occasions, Miss M was told Monzo couldn't match her details with an account, presumably because her account had been closed. This meant that on*
- *many occasions she had to send a photo of herself holding her driving license before receiving a meaningful response; and*
- *even after she made a complaint on 5 August, Monzo took until 15 August to acknowledge this and didn't provide its response until 1 November.*

*By its own admission, the service Monzo provided to Miss M fell short of the standard she was entitled to expect. I don't think there's any dispute that this caused her unnecessary distress and inconvenience and I believe she should be compensated for that.*

*It's for these reasons that I'm currently proposing to uphold Miss M's complaint.*

Monzo accepted my provisional decision and asked that Miss M provide her bank details so it can pay compensation.

Miss M has made further representations about the impact of Monzo's actions and the amount of compensation she feels she should receive. In particular, she says the issues with the bank meant she's been unable to apply for housing or obtain credit for urgent dental treatment.

### **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, my findings haven't changed from those I set out previously.

I can see the problems Miss M has experienced with Monzo came at a very difficult and distressing time in her personal life and that the impact on her would have been more severe as a result. This is something I wanted to recognise when I proposed the compensation on offer was significantly increased.

I've reviewed the various receipts and other evidence Miss M has provided to consider whether the compensation amount should be increased further. While again recognising the difficulty of the problems she's described, they weren't directly caused by Monzo and I don't think I can say with certainty that her situation would now be significantly different if the bank had engaged with her earlier and more effectively. For example, I appreciate the default wouldn't have helped with finding housing or obtaining credit for dental treatment, but her credit score was determined by a multitude of factors. I've not seen anything to demonstrate, for example, that her application would have been approved if there was no default.

I appreciate the outcome may not be all that Miss M had hoped for, but I hope the

explanation provided at least helps her to understand the reasons for my decision. And that the repair of her credit file helps her to get on with doing the things she wants to do.

### **Putting things right**

The principal aim of any award I make is to return Miss M to the position she'd be in but for the inappropriate actions of the inappropriate actions of Monzo.

For the reasons I've explained, I don't think the account should have been defaulted and I'm therefore proposing to instruct Monzo to remove the default from her credit file and instead report that she was in a payment arrangement that's now been satisfied.

As I've said above, I think Miss M should also be compensated for the unnecessary distress and inconvenience she suffered. The amount to award for distress and inconvenience can be difficult to assess as the same circumstances can impact different people in different ways.

In this case, I'm conscious Miss M was already experiencing difficult circumstances, particularly after losing her job and trying to get her finances back on track, and I believe the continual problems she had engaging with and getting timely responses from Monzo would only have exacerbated that situation and I note Monzo's own assessment was that this had a 'medium' impact. This is aside from the distress and inconvenience caused by her account being defaulted when I don't think it should have been.

I don't believe the £50 offered by Monzo is adequate in this case. In my view, total compensation of £300 is appropriate and is the amount Monzo should pay. This isn't clear from the file but if Miss M has already received the £50 Monzo offered previously, I'm proposing it should pay a further £250.

I'm satisfied this represents a fair and reasonable settlement to this complaint.

### **My final decision**

For the reasons I've explained, I'm upholding Miss M's complaint. Subject to her acceptance, Monzo Bank Ltd should now put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 19 April 2024.

James Biles  
**Ombudsman**