

## **The complaint**

Mr A complains that Monzo Bank Ltd failed to pay and/or cancelled a direct debit instruction (DDI) without telling him.

## **What happened**

In October 2023, Mr A's credit card provider (B) told him it would collect a payment by direct debit. However the payment wasn't made and Mr A received a notification from B that the DDI had been cancelled. He made a manual payment and B agreed to refund the charge for a missed payment. However he was concerned that his credit status had been affected as B told him that the missed payment would still be registered, and it also informed him that it would not increase his credit limit.

He made enquiries of Monzo, but it didn't provide any information as to why the direct debit had not been paid. So he made a complaint to the Financial Ombudsman Service. Our Investigator established that the DDI was set up in March 2021 and B hadn't sought to use it before October 2023.

Monzo responded to Mr A's complaint in February 2024 and explained that the direct debit was inactive, and that B had not sought to collect it. It said that it hadn't rejected or cancelled any direct debits from its end. It paid Mr A £25 for its delay in responding to his complaint.

Our Investigator noted Monzo's apology and payment of compensation for the delay in responding to the complaint. She said that she didn't think Monzo had treated Mr A unfairly by cancelling his dormant DDI as it had followed the direct debit scheme rules.

Mr A didn't agree. He said that he had received no official explanation from Monzo as to why the direct debit wasn't paid, and that it had been assumed by our Investigator that this was because of the dormancy rules. He said that he had been told by BACS that Monzo should have told him that the DDI had been made inactive. He felt that Monzo should be instructed to explain exactly what had gone wrong. He had been told by B that the DDI may not have been set up correctly. He also believes that £25 compensation was not sufficient for the many hours he has spent on the complaint.

The matter has been passed to me for an Ombudsman's consideration.

## **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 do think there has been some confusion as to exactly what happened. Monzo has said that the DDI was inactive, and it didn't receive any attempt from B to collect any money from Mr A's account. From B's side it sent an e-mail to Mr A on 24 October 2023 to say that the DDI was being cancelled, although Monzo denies that any request for cancellation came from its end. But B hasn't said whether or not it made any attempt to collect the direct debit. Mr A also tells us that B had suggested that the DDI may not have been set up properly, but

I've seen no evidence from B to that effect.

Under the BACS scheme rules, the bank is referred to as the payment service provider (PSP) and the credit card company as the service user. In respect of dormancy those rules say:

*"All **paying PSPs** hold details of payer DDIs on file for a minimum period of 24 months from **lodgement** of the DDI in the event of no collections or from the date of the last collection i.e. length of time in calendar months after which a paying PSP will drop details of a DDI because no Direct Debit has been collected."* And:

*"Rule: If a service user does not present a Direct Debit against a DDI for 24 months, and has not requested an extended dormancy period, any subsequent Direct Debit must be preceded by a new DDI, otherwise the Direct Debit may be returned 'no instruction'".*

Whilst I appreciate that Monzo did not explain the dormancy rules to Mr A, the fact is that he had set up the DDI in March 2021 and it had never been used. So Monzo under the rules treated the DDI as dormant or inactive (unless the dormancy period was extended by B, but I've seen no evidence that it was). Whilst I appreciate Mr A didn't know about the rules, certainly B shouldn't have told him that it would collect a payment under a DDI which hadn't been used for over 24 months. So I don't think that our Investigator's explanation of the dormancy rules was speculative, she merely explained to Mr A the reason for the DDI becoming inactive.

As for whether Monzo should have explained to Mr A that the DDI had become inactive, I haven't seen anything under the rules that requires this. And the onus was very much on the service user (B in this case) to ensure that if it was going to present a direct debit for payment after more than 24 months, it should have asked Mr A for a new DDI. However I should emphasise that I can't look into or comment on the actions of B.

So I think that Monzo acted appropriately, and I won't ask it to take any further steps. As for its response to Mr A's complaint, I accept that it was responsible for some delay. It has paid £25 compensation. And while I appreciate that Mr A has been put to some trouble by having to complain to this service, I think the compensation payment made is within the range of the sort of awards we make in cases of this nature. So I won't ask it to make any further payment.

It also follows that I don't think that Monzo is responsible for any adverse effect on Mr A's credit history or on the use of his account with B.

### **My final decision**

I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 28 June 2024.

Ray Lawley  
**Ombudsman**