

The complaint

Mr M complains that Monzo Bank Limited (“Monzo”) placed a default marker on his credit files.

What happened

In September Mr M took out a loan with Monzo for £2,000 over six months with repayments of £354.49. He failed to make the final two payments on time. According to Monzo’s records it contacted Mr M on several occasions to remind he was behind with his payments. These included references to the risk of the loan being defaulted and this being recorded by credit reference agencies.

Mr M contacted Monzo on 13 July and there were a number of exchanges. Mr M explained he was due to start a job and he supplied details of his income and expenditure. On 30 July Monzo defaulted the loan account. Mr M settled the account on 18 October 2023 and then complained to Monzo. It did not respond and so he brought his complaint to this service. It was considered by one of our investigators who didn’t recommend it be upheld.

He noted Mr M had been in breach of his agreement for five months. He also noted that Monzo had written to Mr M on 10 July asking him to make contact and saying it may have to default his loan and to make contact “so we can help avoid this from happening”. However Monzo also made it clear that without some form of agreement the loan would default. He said that Monzo had not guaranteed that contact from Mr M would avoid a default.

He recognised Mr M had sought to resolve the situation, but he didn’t think Monzo had been wrong to default the loan and report it. He said that Mr M could add a Notice of Correction to his credit reports clarifying the position.

Mr M didn’t agree and said that he believed he had provided all the information required by Monzo and was waiting for it to respond. He had asked the default be delayed as he was due to start a new job.

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.

While I appreciate Mr M’s position I do not consider I can uphold his complaint. I will explain why.

Having reviewed Monzo’s records I note that it was in contact with him about the loan throughout the period he was in arrears. These messages made him aware of the risk of the loan being defaulted and informing the credit reference agencies. For example this message was sent on 13 March 2023:

“You’re still behind on your loan by £709.13 and we’d like to help you catch up.

If you can, please repay from the loan screen in your app.

There are things we can do to help if we know a bit more about your situation

We understand this might be a difficult time for you but we can only help if you let us know what's going on. We can then work together to come up with a solution that's best for you. You can also get free, impartial and confidential guidance from debt advice charities here.

We have to keep letting credit reference agencies know when you're late paying back money you owe.

Late repayments show on your credit file for 6 years, and the further you fall behind, the more likely your credit score will be impacted negatively. This is likely to affect your ability to borrow in the future."

I am satisfied from the records I have seen that Mr M was aware of his arrears and only contacted the bank on 13 July. However, it followed its process and defaulted the loan on 30 July.

At no point did Monzo tell Mr M his loan account would not be defaulted and it did not take action until some five months had passed since his last payment. I appreciate Mr M wanted Monzo to defer action and said he would be in a position to repay soon. However, without some positive action on his part Monzo had been given no concrete reason why it should suspend taking action. I appreciate Mr M had provided details of his income and expenditure and was waiting for Monzo to respond. But I fear that was too late and Monzo followed due process. In short it waited some five months before defaulting the loan and it was not unreasonable for Monzo to act when it did.

He did repay the loan some months later, but I fear this was too late. I cannot say that delays by Monzo were instrumental in the issues Mr M faced. I appreciate Mr M will be disappointed with my decision but I do not consider I can uphold his complaint. As our investigator he can place a Notice of Correction on his credit reference files.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 1 July 2024.

Ivor Graham
Ombudsman