

## **The complaint**

Mr M complains Monzo Bank Ltd unfairly defaulted an overdraft debt and are reporting this to credit reference agencies.

Mr M is also unhappy with the level of customer service he received from Monzo.

## **What happened**

Mr M held a bank account with an overdraft facility with Monzo. Mr M also held a Flex credit card facility which is the subject of a separate complaint.

In September 2023 Mr M used the Current Account Switching Service (CASS) to open new banking facilities with a different provider. In line with the conditions of the switching process Monzo closed Mr M's bank account in October 2023. As Mr M's account was in an overdraft position at the time of the closure, the outstanding balance became immediately payable.

Monzo contacted Mr M by email in early and late October 2023 about the outstanding overdraft debt. As part of its recoveries process it also requested he complete an income and expenditure assessment so it could consider setting up an arrangement for repayment of the outstanding debt. Mr M provided details of his income and expenditure which showed a monthly deficit, so Monzo wouldn't agree to an arrangement. Mr M didn't make any payments towards the outstanding debt as he says Monzo failed to provide him with the relevant details. Monzo defaulted Mr M's overdraft facility in January 2024 and reported this to credit reference agencies.

Mr M initially complained to Monzo in October 2023. After receiving Monzo's final response in February 2024 he referred his complaint to our Service for review.

Our Investigator upheld this case about the overdraft facility. At the time she issued her outcome she hadn't received Monzo's business file for the case. However, she said based on the evidence she'd received from Mr M she couldn't conclude Monzo had unreasonably defaulted the overdraft debt; or had been unreasonable in pursuing him for the outstanding debt. She did however identify some service failings, and recommended Monzo pay Mr M and additional £200, taking the total compensation for this complaint to £300.

Monzo responded and accepted our Investigator's findings. It also provided its business file setting out its position on this complaint.

Mr M didn't accept our Investigator's outcome. In summary he said the default registered with credit reference agencies in relation to his overdraft facility should be removed. Mr M also said the compensation doesn't cover the damage Monzo's actions have caused; or the inconvenience he's been put to in pursuing his complaint, and the implications its actions have caused him from both a financial and a health point of view

As Mr M disagreed with the outcome the case has been passed to me to decide.

My decision here deals with the defaulting of Mr M's overdraft facility, and takes into account

the overall level of customer service provided by Monzo. Mr M's complaint about Monzo's handling of his Flex credit card facility has been decided under a separate reference.

### **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 think it's helpful for me to set out from the start that having considered everything, including Monzo's business file which wasn't previously available to our Investigator, I've reached the same outcome as our Investigator. I appreciate this will be a disappointing outcome for Mr M. It's clear he feels Monzo's actions and inactions have caused him significant financial loss as well as distress and inconvenience. But based on the evidence available to me, I can't safely conclude Monzo needs to take any more action than it has already agreed to do to reasonably resolve this complaint.

I would set out at this point that while my decision doesn't cover all of the points or touch on all of the information that has been provided by both parties, I'd like to assure both Mr M and Monzo that I have carefully reviewed everything available to me when reaching my decision. Where the evidence is inconclusive or missing, as some of it is here, I've reached my findings on the balance of probabilities; that is to say what I consider would more likely than not to have happened in the individual circumstances.

### **Defaulting the overdraft debt**

As background information, Mr M completed the CASS process to open a new bank account with a new provider in September 2023. Part of the conditions of the CASS process are that the existing bank account is closed. The CASS conditions confirm that amongst other reasons, this ensures any future payments to the old bank account are automatically redirected to the new bank account.

Monzo has said it sent Mr M an email setting out details of the switch on 3 October 2023 and that his account had been closed. Monzo hasn't provided us with a copy of the actual email it sent Mr M, but it has provided a template of the email.

The template confirms, amongst other things, the arrangements for repaying outstanding borrowing once a bank account is closed; and provides the payment details to send funds to. While this is a template and not the actual email sent to Mr M, I've been provided with internal screen shots which confirm the email was sent. Given these details I'm more persuaded, on balance, that this email was sent to Mr M on 3 October 2023 as part of the actions Monzo took when completing the CASS process and closing his bank account.

Mr M's complaint isn't about the closure of the account; but that Monzo didn't provide him with details so he could repay the outstanding debt, or make an arrangement to do so, which ultimately led to it defaulting the debt and recording a default on his credit file.

I've reviewed the emails and online chat history between Mr M and Monzo from October 2023. I've also listened to the phone calls Monzo has provided from October 2023.

It's clear that once Mr M's account was closed Monzo looked to arrange repayment of the outstanding overdraft debt. Monzo has provided me with the declared income and expenditure assessment Mr M completed when it was looking to assess whether a payment arrangement could be put in place.

The income and expenditure assessment Mr M completed showed a monthly deficit of around £1,500. On review of the details Mr M declared to Monzo his expenditure is largely made up of non-discretionary commitments and existing credit commitments; therefore, not discretionary spending that he could easily or reasonably have reduced in order to lower the deficit, or even look to achieve a surplus each month.

As a responsible lender Monzo, like any business, can't agree to a formal arrangement to pay where it's aware, or considers it likely, that to do so would cause financial detriment or harm to a customer. And given the declared figures within Mr M's income and expenditure assessment, this would certainly have looked to have been the case in these circumstances.

Mr M has said throughout his complaint with Monzo and this Service that he would have made payments towards the outstanding debt had he received the necessary details to do so. And Monzo has confirmed that after these were initially provided in October 2023, it didn't provide him with the details at any other point.

While I don't doubt Mr M's testimony about making payments to the debt, it does appear he was in financial difficulties as his monthly expenditure was higher than his income. His declared income and expenditure evidenced around 25% of his income as being used to repay existing credit commitments; and in addition to this he has said he was also looking to provide financial support to his partner, which I consider would appear to have only negatively impact his finances further.

Given Mr M's testimony and the declared financial position, I asked him to set out how he would have afforded to make payments to the outstanding debt, had he received the necessary details. I also asked Mr M to provide any evidence that he could afford to make these payments, or any evidence of funds that he had available to do so.

Mr M responded and set out that he had received an increase in his salary, and that he would therefore have been in a position to make payments to the debt from his monthly pay to stop the debt being defaulted. However, Mr M hasn't provided any evidence of this, or that these funds were, or would have been, available to him in the immediate months following the account closure.

I've carefully considered Mr M's testimony. While I don't doubt what he's said, I've not been provided with persuasive evidence that his financial circumstances had significantly improved in the months following the account closure; to the extent that he no longer had a monthly deficit or would have been able to afford to sustainably make payments at such a level that would have reasonably prevented Monzo from defaulting the debt when it did.

So, it therefore follows I can't reasonably conclude Monzo acted unfairly by defaulted the overdraft debt when it did; or reporting it as defaulted to credit reference agencies.

#### The level of customer service provided by Monzo

Mr M has said he requested the necessary details in order to make payments towards the outstanding debt on multiple occasions, and that Monzo failed to provide this information. He's also said Monzo has chased him for the outstanding debt, and that the level of customer service provided during the complaint process has been below the level he ought reasonably to have expected.

Having reviewed all of the evidence available to me, which includes the emails, online chat history and phone calls, I'm satisfied Monzo hasn't provided Mr M with a reasonable level of customer service overall.

I say this because there are multiple occasions where Mr M contacted Monzo in order to request support and obtain further information about making a payment to the outstanding debt. A number of these requests went unanswered for extended periods of time, and the details for Mr M to make payment to the debt haven't ever been provided after the initial email of 3 October 2023.

It's clear from the ongoing contact Mr M had with Monzo how frustrated he was becoming with this situation; and I can understand why Mr M felt this way.

On a number of occasions Monzo referred Mr M back to the details it had provided him within the email of 3 October 2023, even though he'd already stated the email hadn't been received. And on other occasions it referenced the negative disposable income position that Mr M had declared through the income and expenditure assessment; and directed him to other organisations and services that may be able to assist him with his financial situation.

Monzo has told this Service that once it identified Mr M's financial situation from the income and expenditure assessment it completed, it didn't want to put him to further financial detriment. It has said that to provide him with details of how to repay the debt could have done so.

I'm not persuaded by Monzo's argument here. I can understand its position that it wouldn't look to put in place a formal arrangement for repayment of the debt, given the financial circumstances it had identified. But I consider it should have provided Mr M with the details of how to repay the outstanding debts. Especially as these details had already been provided to him in October 2023, albeit Mr M says the email wasn't received.

There were also multiple occasions where Mr M was told he would receive call backs from managers which never materialised; and he needed to contact Monzo again to follow up on these broken promises on a number of occasions. This further reduced the level of service Mr M was receiving; and I can understand this would have led to further distress and inconvenience.

I consider Monzo was and is entitled to pursue Mr M for the outstanding debt on the overdraft facility. However, I accept that receiving regular contact about repayment of the debt would have been, and continues to be, distressing for Mr M. This is especially the case as Mr M had been requesting the account details in order to look to make some level of payment towards the account, which Monzo hadn't again provided since the initial email.

While I can see Monzo was initially engaging with Mr M and looking to better understand his financial position, I don't think it acted as quickly as Mr M ought reasonably to have expected; and as time went on some of its actions don't suggest it had fully listened to his requests or concerns, or in some events responded to them appropriately at all.

I therefore consider Monzo's actions (and inactions at times) have caused Mr M considerable distress and significant inconvenience, lasting many months. And for this reason, I consider an award of compensation is warranted.

Mr M has said he considers compensation in the thousands is warranted in his case. He's said this because he has detailed the impact Monzo's actions have had on him and the issues it has and will cause him, both financially and personally.

As part of my assessment, I've considered our Service's guidelines in place for awards of this nature. Our guidance on compensation for non-financial loss is publicised on our website. Generally, an award in the thousands would be recommended where a business'

error has caused sustained distress and/or inconvenience; and/or severe disruption to someone's daily life, lasting more than a year. Examples include when the effects of the error have irreversible consequences, or a lasting impact on someone's health.

I consider the level of distress and inconvenience Mr M has suffered has impacted him across a number of months, and given the personal circumstances he'd made Monzo aware of from the outset, I do consider this would have had more of an impact on him than the average customer.

I must also take into account that while our Service is dealing with Mr M's concerns about different products under two references, his contact with Monzo throughout this process has always been about the overall issues. So, when deciding what I consider to be a fair award of compensation for this case, I've needed to take into account what would be a fair overall amount between the two cases.

Having considered all of the above, I'm satisfied a figure of £300 in this case is fair resolution, considering the direction on the other case.

I say this because as I've set out above, I consider Mr M has been put to considerable distress and significant inconvenience in his contact with Monzo. However, as I've found above, I consider, on balance, it more likely than not that even if Mr M had the account details to repay the debt, he wouldn't have been in a position to have sustainably afforded to so at a level which would have prevented Monzo from defaulting the debt when it did.

I am sorry to learn of the personal circumstances Mr M has made us aware of, both from a health and financial point of view. It's clear Mr M has gone through, and continues to go through, some very difficult circumstances. I would remind Monzo of its obligations in treating Mr M fairly and sympathetically in its dealings with him, and when looking to recover the outstanding balance.

### **Putting things right**

For the reasons set out above, I'm satisfied Monzo Bank Ltd should pay Mr M a total of £300 in recognition of the impact its level of customer service has had on him.

I understand Monzo Bank Ltd has already paid Mr M £100 in relation to this case. It therefore follows it should pay Mr M a further £200 in resolution of this complaint.

Monzo should also provide Mr M with details of how to make payments to the defaulted debts.

### **My final decision**

My final decision is that I'm upholding this complaint and I direct Monzo Bank Ltd to pay Mr M £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 23 August 2024.

Richard Turner  
**Ombudsman**