

## The complaint

Miss K complains that Monzo Bank Ltd applied interest to her account when it had been agreed that she would receive a month breathing space. It then put her on a one-year repayment plan which she hadn't agreed to.

## What happened

Miss K has a Flex account with Monzo. In August 2023, she contacted Monzo to say she couldn't make her September payment and asking for this to be deferred until October 2023. Monzo said it could apply a 30-day breathing space to the account. But Miss K said that interest was applied, and she then realised that she had been put on a one-year repayment plan. She was then told her account was at risk of default. Miss K feels that she hasn't been treated fairly and doesn't want her credit file affected by this issue.

Monzo issued a final response letter dated 7 February 2024. It upheld Miss K's complaint about poor communication when discussing breathing space as it said she wasn't provided with clear enough information. It also upheld her complaint about the time taken for Monzo to apply the breathing space and to provide a response to her complaint. Because of these issues it offered to pay Miss K a total of £125 compensation. Monzo didn't uphold Miss K's complaint about missed payments being reported to the credit reference agencies or her account going into a minimum payment plan with interest after payments had been missed. It said these actions were taken in line with its internal processes.

Miss K wasn't satisfied with Monzo's response and referred her complaint to this service.

Our investigator didn't uphold this complaint. He noted the delay in putting the breathing space in place but said that as Monzo had refunded the interest applied up to the point the breathing space was actioned this was a reasonable response. He noted the account terms and conditions said that if a payment was missed then a customer had seven days to catch up after which they would be transferred to a 12-month interest bearing plan. As Miss K missed her September 2023 payment, he didn't think that Monzo had done anything wrong by changing her to the 12-month plan. He also noted that Monzo was required to provide accurate information to the credit reference agencies.

Our investigator accepted that the communication from Monzo hadn't always been as it should have been but he felt the £125 offered because of this was reasonable.

Miss K didn't agree with our investigator's view. She said that she made it clear to Monzo at the outset that she didn't want to pay interest and she accepted that it had paid back the interest and some compensation in recognition of this mistake. But she said it wasn't fair that her credit file was being affected by this. She said she had never previously fallen behind with payments and having adverse information on her credit file for six years would impact her ability to get future credit such as a mortgage as well as to raise money for her business. Miss K accepted she was late with payments but said that when she tried to contact Monzo her issues weren't being handled and she was put on the payment plan against her will. She didn't think it fair that her credit file was being affected by Monzo's mistakes and poor communication.

## **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 appreciate that Miss K is upset by the experience she has had in regard to her Monzo account, and I understand why she is concerned about her credit file. But for me to uphold this complaint I would need to be satisfied that Monzo had done something wrong or treated Miss K unfairly, and, to the extent this had happened, it hadn't taken reasonable action to put this right.

Monzo has provided copies of the chat that occurred between it and Miss K. These show that Miss K contacted Monzo on 16 August to say she wouldn't be able to make her payment to her flex account and would only be able to do so in October. There were delays in agents coming back to Miss K but a 30-day breathing space was offered and Miss K said she would like to have this in place from early September. While Miss K was told her account had been temporarily stopped the breathing space wasn't put in place at that time.

Miss K contacted Monzo several times over the next few weeks about the interest applied to her account. During this period, she missed further payments and her arrears increased. On 21 November, the breathing space was applied to Miss K's account, and she was refunded the interest that had been charged between 21 August when the breathing space was first offered and 21 November.

I find that the refund of interest during the period when the breathing space wasn't applied was a reasonable resolution to this issue. During this period Miss K wasn't provided with the service she should have been as there were delays in agents responding to her, she wasn't provided clear information about the action Monzo was taking and what this meant for her account. This caused Miss K distress and inconvenience. Monzo offered to pay Miss K £50 for the poor communication about the breathing space and a further £50 for the delay in the breathing space being applied. This was paid to Miss K in February 2024. I find this, along with the interest refund, a fair resolution to this part of Miss K's complaint.

Monzo also accepted that it took a long time to respond to Miss K's complaint and paid her £25 because of this. It then, after considering this complaint in light of Miss K's referral to this service, noted that there had been delays in providing Miss K with the redress and also calls had been missed. Therefore, it offered to pay a further £50 compensation. This brings the total compensation to £175 (£125 that has been paid and a further £50 offered). Taking the various issues into account and the impact these have had on Miss K, I find this total amount of compensation fair.

Miss K wants the adverse information removed from her credit file. I understand why she is concerned about her credit file and note her comment about how it is impacting her business. However, applying breathing space to an account doesn't stop missed payments being reported to the credit reference agencies. I haven't seen anything to suggest Miss K was told this reporting would stop. As Miss K missed payments, I do not find I can say that Monzo was wrong or treated her unfairly by reporting these.

Miss K said that she was put on a repayment plan without this being agreed. While I can see from the online chats that Miss K had wanted her payment to be pushed back it wasn't agreed that this would happen (although I note the communication wasn't always clear), instead a suspension was applied and then breathing space added to her account. The terms of the account set out that if payments are missed and not brought up to date within seven days that the customer will be switched to a 12-month interest bearing plan. As Miss K missed her payments, I cannot say that Monzo did anything wrong by applying the

process set out in its terms and conditions.

In conclusion, while I can see that Monzo didn't always provide Miss K with the service it should have, I find the action it has taken, including the refund of interest, paying compensation totalling £125, and the offer of a further £50 compensation is a reasonable remedy to this complaint. I understand why Miss K wants the adverse information removed from her credit file, but Monzo is required to report accurate information to the credit reference agencies. And in this case, I do not require it to take any further action in regard to the information reported.

### **My final decision**

My final decision is that Monzo Bank Ltd should, as it has offered, pay Miss K an additional £50 compensation (additional to the £125 paid) for the service issues she experienced.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 18 September 2024.

Jane Archer  
**Ombudsman**