

## **Complaint**

Mr S is unhappy with what Monzo Bank Ltd ("Monzo") has agreed to do to put things right after he complained about the charges on his overdraft.

## **Background**

Mr S has also complained about a Flex Credit Card and a loan that Monzo also provided to him. But we've explained at that we're looking at his complaint about those matters separately. And this final decision is only considering Mr S' complaint about his overdraft.

One of our investigators looked at Mr S' complaint and she told Monzo that it should refund all the interest, fees and charges added to his account from March 2023 onwards as it ought to have been aware that Mr S' overdraft had become unsustainable for him.

Monzo accepted our investigator's view. Mr S didn't disagree with the fact that Monzo ought to have taken corrective action against his facility in March 2023. But he was unhappy at what our investigator had suggested should be done to put things right and asked for an ombudsman's decision.

As the parties are in agreement with when the overdraft had become unsustainable for Mr S, this decision is only looking at whether what Monzo has done to put things right in relation to the charges it added to the account from March 2023 onwards, is fair and reasonable in all the circumstances of the complaint.

## **My findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having carefully considered everything, I think that what Monzo has already agreed to do to put things right for Mr S is fair and reasonable in all the circumstances of his complaint. I'll explain why I think this is the case.

Monzo has agreed that it ought to have realised that Mr S' overdraft had become unsustainable for him and that it shouldn't have added any interest, fees and charges to his account from March 2023. So it has agreed to refund all the interest, fees and charges that it did add to Mr S' account from then in order to put things right.

I've considered what Monzo has agreed to do to put things right. And It might help for me to start by explaining that where a business accepts (or we decide) it did something wrong, we'd expect the business to put the consumer in the position they would be in if that wrong hadn't taken place.

In an ideal world, we'd tell a business to put a consumer in the position they'd now be in if they hadn't been given the credit they shouldn't have. However, that's not possible in cases where funds that shouldn't have been advanced were advanced because typically those funds will have already been spent.

So we have to look at a way of asking a business to put things right in a fair and reasonable way. And where a business provided, or continued to allow a consumer to use, a credit facility which it should have realised was unsustainable, we'd typically expect it to put the consumer in the position they'd be in now if they hadn't paid any further interest and charges on that credit.

This means we'd normally expect a lender to refund the interest and charges added to any credit from the point the lender ought to have realised it was unsustainable. And if those interest and charges were paid also add 8% simple interest per year. That's what Monzo has agreed to do here, so it has agreed to do what I'd normally expect a firm to do in these circumstances.

That said, we do look at each case individually and on its own particular merits. And while we have a general approach to how we might tell a lender to put things right where it continued to provide credit it shouldn't have (such as here), we can and will tell it to do something different and/or something more if there's a strong reason to say that's what would be fair and reasonable to do in the circumstances of that individual case.

Mr S believes that Monzo should do more. As I understand it, he believes that Monzo should pay him some compensation because of the distress and inconvenience he says its actions caused him.

I've carefully thought about what Mr S has said.

I'm mindful that all parties agree that Monzo should have begun the process of taking corrective action in relation to Mr S' overdraft in March 2023 and that Mr S complained to Monzo in September 2023. So essentially Mr S was allowed to continue using his overdraft for a period of around six months after Monzo ought to have taken action. I don't think that this delay in taking action warrants an award for distress and inconvenience in this instance.

I say this because although Mr S has referred to a loss of opportunities and mental anguish (and I accept that he may well have gone through a difficult time), without any corroborating evidence, it's difficult for me to reasonably conclude that Monzo's actions in relation to Mr S' overdraft over a six month period directly caused this.

This is particularly as the refund of interest, fees and charges in the first place, is an attempt to balance the fact that Monzo shouldn't have continued lending to Mr S against Mr S having had use of the funds as a result of this. Indeed Mr S was able to have funds he wouldn't have had and spent them in circumstances where he acknowledges, in his initial complaint, that Monzo may well have taken action early if he had notified it of his situation or complained earlier.

As this is the case, I'm not persuaded that it would be fair and reasonable to me to make an additional award for distress and inconvenience here.

Bearing in mind all of this, I'm satisfied that what Monzo has already done to put things right for Mr S – reworking his account so that all the interest, fees and charges added since March 2023 are removed and removing any adverse information that may have been recorded – is fair and reasonable in the circumstances of this case.

In reaching this conclusion I've also considered whether the lending relationship between Monzo and Mr S might have been unfair to Mr S under section 140A of the Consumer Credit Act 1974 ("CCA").

However, I'm satisfied that what Monzo has already agreed to do to put things right for Mr S' complaint as a whole, is fair and reasonable in all the circumstances of this case and I'm not requiring it to do anything further. I'm also not persuaded that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome in respect of this. I'm therefore not requiring Monzo to do anything more and I leave it up to Mr S to decide whether he wishes to accept its offer in settlement of his complaint.

### **My final decision**

For the reasons I've explained, I'm satisfied that what Monzo Bank Ltd has already agreed to do to put things right for Mr S is fair and reasonable in the circumstances of his complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 16 August 2024.

Jeshen Narayanan  
**Ombudsman**