

The complaint

Mrs B says Monzo Bank Ltd unfairly reported a default on her credit file in relation to a fee-paid current account.

What happened

Mrs B opened a '*Monzo Plus*' account in January 2023. The account attracted a £5 monthly charge, in return for certain benefits.

There was no activity on the account other than the monthly charge and the account became overdrawn. Monzo ultimately closed the account and reported a default to the credit reference agencies (CRAs) as Mrs B didn't clear the arrears in time.

When Mrs B complained to Monzo about it reporting the default, it rejected the complaint. Monzo said it had acted in line with its internal procedures in reporting it.

Unhappy with Monzo's response, Mrs B brought her complaint to this service. One of our investigators considered the complaint and recommended that it be upheld. They said the account shouldn't have been defaulted and asked Monzo to remove the adverse information from Mrs B's credit file.

Monzo didn't agree with the investigator's findings. So, the complaint was passed to me to review afresh.

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.

Having done so, I uphold this complaint. I'll explain why.

It's not in dispute that Mrs B's account fell into arrears in 2023 in advance of the default being added in early 2024. Or that Monzo contacted Mrs B about the arrears and the consequences if they weren't cleared in time. Despite this, Mrs B didn't contact Monzo for several months.

Mrs B argues she wasn't aware the account attracted a monthly fee. She's also said that English isn't her first language and that she didn't understand the details of the account. I acknowledge that Monzo says it was unaware of this at the time and that, had it been told, it could have communicated with Mrs B differently.

I don't doubt that Monzo didn't treat Mrs B unfairly in that regard, given what it knew of her. Having said that, I can't ignore the fact that, as Monzo accepts, the account was in negative balance due to the monthly account charge. As it's confirmed, there was no activity on the account apart from the deduction of the monthly fee.

I think this is of significance given the Information Commissioner's Office's (ICO) *Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies*. According to the foreword, these were drawn up by the credit industry in collaboration with the ICO. They were intended to become the main source of advice for the public on the reporting of arrears and so on with the CRAs.

As such, I think it's fair and reasonable to take account of the principles in reaching my decision on Mrs B's case. And, in particular, the section that states a default shouldn't be filed '*If the amount outstanding is solely made up of fees or charges.*'

Unfortunately, the principles don't define what fees and charges are. But I think the account charges that accrued on Mrs B's account could safely be counted as such for the purposes of the principles.

That being the case, I'm satisfied that Monzo shouldn't have reported a default in the circumstances. This is irrespective of what Mrs B's understanding was when she was sold the account.

Putting things right

Monzo should ensure that any adverse information it reported regarding the arrears on Mrs B's account is removed.

My final decision

For the reasons given, I uphold this complaint. I require Monzo Bank Ltd to put things right for Mrs B as explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 30 August 2024.

Nimish Patel
Ombudsman