

The complaint

Miss J complains that Monzo Bank Ltd defaulted her account and reported the default on her credit file.

What happened

Miss J holds a Monzo Flex account. In August 2023 Miss J contacted Monzo to advise them that she was experiencing financial difficulties. Monzo applied breathing space to the account while Miss J completed a budget assessment. A repayment plan was then arranged for £40 to be paid on 9th of each month starting in October 2023. Miss J paid the next three scheduled payments.

Miss J missed the January 2024 payment. Monzo contacted her to advise her of the missed payment and Miss J paid the following day.

Miss J missed the February 2024 payment. Monzo contacted her to advise her of the missed payment. Miss J replied the same day and advised Monzo that she wasn't able to make the payment that month. Monzo applied breathing space to the account until 17 March 2024 to allow Miss J to complete a new budget assessment.

Monzo didn't receive a reply nor did it receive a budget assessment. Monzo contacted Miss J on 17 March 2024 when the breathing space expired and advised her that she was behind with her Flex payments by £1232.31. It advised Miss J that she would receive a default notice in the post.

Miss J replied the same day and said she was due to receive a work bonus that month and would be able to pay. She asked for an extension and to set up a long term repayment plan at £50 per month. Monzo said it needed Miss J to complete a budget assessment before it could agree a repayment plan.

Miss J contacted Monzo on 26 March 2024 and said her bonus was delayed until July. She asked to pay £50 per month until July, when she said she would pay the remaining balance.

Monzo reminded Miss J that she needed to complete a budget assessment before it could set up a repayment plan. Miss J completed the budget assessment but when Monzo looked at it they found that Miss J's budget fell short. Monzo asked her to check that the numbers were correct and update the budget assessment.

Miss K contacted Monzo again on 15 April 2024 with her updated budget assessment. Monzo asked Miss J to confirm the repayment date, but it didn't receive a reply.

On 23 April 2024 Monzo sent a notice of default.

Miss J complained to Monzo. She said she hadn't seen the message asking her to confirm the repayment date and said she'd already agreed that she would pay £50 per month.

Monzo didn't uphold the complaint. In its final response dated 18 June 2024 it said it hadn't been able to set up the repayment plan for Miss J because she hadn't replied with a

repayment date. It said it hadn't made an error by reporting the default as the account had been behind for several months and there was no repayment plan in place at the time of the default.

Miss J remained unhappy and brought her complaint to this service. She said she had made Monzo aware that she was experiencing financial difficulties and was a vulnerable customer, and she thought that Monzo should have called her to confirm a payment date or sent her a reminder to confirm the payment date via the app or by text. Miss J accepted that she hadn't replied to the message and confirmed a payment date but said she wasn't refusing to pay or being uncooperative. Miss J said she didn't think it was fair that the default had been reported on her credit file as it didn't accurately reflect her account and would impact her for years.

Miss J has since repaid the account and it has been closed.

Our investigator didn't uphold the complaint. They said they didn't think Monzo had acted unreasonably by reporting the default because Miss J had missed repayments for a considerable amount of time and Monzo had made her aware that the account might be defaulted because of the missed payments. The investigator also said that Monzo had waited a week for Miss J to confirm the payment date and had done as much as it could with regards to setting up a repayment plan. The investigator said they couldn't ask Monzo to remove the default as it had been applied correctly.

Miss J didn't agree. She said she'd had some personal issues and had missed the message about the payment date. She said she'd already agreed to pay £50 per month and didn't think she'd been treated fairly.

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 know it will disappoint Miss K but I agree with the investigators opinion. I'll explain why.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point its not because I've failed to take it on board and think about it, but because I don't think I need to comment on it in order to reach what I think is the right outcome.

The essence of Miss J's complaint is that Monzo defaulted her account and placed a marker on her credit file. She doesn't think Monzo treated her fairly when it defaulted the account because she'd agreed a repayment plan of £50 per month.

I've looked at what happened to decide whether Monzo made an error or treated Miss J unfairly when it defaulted the account.

I can see from the statements of account that Miss J had been struggling to make payments since around August 2023. Monzo initially agreed a repayment plan of £40 with Miss J and this commenced in October 2023. However, Miss J paid late in January 2024 and missed the payment in February 2024.

I can see that Miss J contacted Monzo in February 2024 and explained that she was struggling to pay. In response, Monzo applied breathing space to the account until 17 March 2024 and asked Miss J to complete a new budget assessment.

Miss J didn't complete a new budget assessment by 17 March 2024. Monzo waited until the breathing space had expired and sent Miss J a message advising her that the account would soon default, and that she would be required to repay the outstanding balance of £1232.31 immediately. I can see that Monzo issued a notice of default at the same time. The notice advised Miss J that her account would default on 16 April 2024.

Miss J contacted Monzo on 17 March 2024 and asked to extend the breathing space. Monzo applied breathing space on 27 March 2024 for a further 30 days. I can see that Monzo made Miss J aware when it agreed the breathing space that because a default notice had already been issued, the breathing space wouldn't prevent a default if the balance wasn't repaid within this time.

In the weeks that followed Miss J told Monzo she wanted to set up a long-term repayment plan. Monzo asked Miss J to complete a new budget assessment. Miss J confirmed on 15 April 2024 that she'd completed an amended budget assessment. On 16 April 2024 Monzo asked Miss J to confirm the date of repayments but Miss J didn't reply. Monzo reported the default on 23 April 2023.

I appreciate that Miss J had agreed to pay £50 per month and that she had things going on in her personal life which meant she missed the message asking her to confirm the payment date. However, Monzo had made it clear to Miss J when it agreed the further breathing space on 27 March 2024 that because a default notice had already been issued, a default would be applied if the arrears weren't paid within this time.

I appreciate that Miss J has said that she had some personal issues at this time. However, I've also noted that this wasn't the first time that Miss J had failed to respond to Monzo. For instance, when Monzo applied breathing space to the account in February 2024, Miss J failed to complete and return her budget assessment by the deadline of 17 March 2024. So from Monzo's perspective, Miss J's non response about the payment date was another instance of her not doing what they had asked her to do.

Miss J has said that Monzo should've reminded her to provide a payment date by sending her a text or a message via the app. However, I don't think it was unreasonable for Monzo to expect Miss J to respond to the request for a payment date which it had already sent via the app. I can see that all communication between Monzo and Miss J up until this point had been via the app.

Miss J has also said that Monzo should have just taken the payment from her account. However, Monzo wouldn't be acting responsibly if it had done this, particularly given that Miss J's budget was tight, as can be seen from her budget assessment. If Monzo had taken a payment without Miss J's permission and left her without funds to meet priority bills or caused her financial hardship, it wouldn't have been acting fairly or reasonably.

Miss J has said that Monzo failed to treat her appropriately as a vulnerable customer. Having reviewed everything, I don't agree. I think that Monzo responded positively and sympathetically to Miss J when she made them aware that she was experiencing financial difficulties. It has applied breathing space on three separate occasions and offered to agree a payment plan. It also waited a further week before defaulting the account to allow Miss J time to respond. Ultimately, because Miss J failed to confirm a payment date, there was no repayment plan put in place.

Taking everything into consideration, I'm unable to say that Monzo has made an error or treated Miss J unfairly by defaulting the account.

I'm also unable to say that the default was incorrectly reported on Miss J's credit file. Monzo

is under an obligation to report accurate information to the credit reference agencies, so I'm unable to say that it shouldn't have reported the default as this was an accurate reflection of the state of Miss J's account

My final decision

My final decision is that I don't uphold the account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 16 October 2024.

Emma Davy
Ombudsman