

The complaint

Mr W complains that Monzo Bank Ltd (“Monzo”) have incorrectly recorded adverse data on his credit file.

What happened

Following a dispute with Monzo, Mr W switched his current account. He had an outstanding overdraft on the Monzo account. Mr W said he asked Monzo if it could be repaid in two parts, but he says he told them if it was likely to affect his credit score, he would pay it all in one go. He said Monzo agreed he could repay in two parts, without an impact on his credit file.

Mr W said he checked his credit report in 2023 to find a default recorded relating to the overdraft with Monzo. He says it's meant he's been paying higher interest on his credit elsewhere and Monzo refuse to update the record.

In January 2024 Monzo provided Mr W with their final response letter. They said in October 2021 Mr W completed a current account switch which left his Monzo account with an overdrawn balance of over £450. They said after the closure of the account, they sent several texts and emails asking Mr W to pay the balance, until they eventually issued a notice to default on 29 November 2021.

Monzo say they've correctly reported the information to the credit reference agencies, and there's not a default being reported – they've recorded the account as 'settled' because by 30 December 2021, Mr W had repaid the balance in full.

Mr W wasn't happy with the response. He said Monzo no longer have a log of the calls he made, but he had an agreement it wouldn't impact his credit file and was told by the Monzo advisor to disregard the texts he received.

An Investigator here looked into things. They reassured Mr W that Monzo weren't reporting a default – the account is showing as closed/settled, but there is a missed payment marker in relation to the account. They found that Monzo had accurately reported the missed payment to the credit reference agencies because Mr W had left the account in arrears for a full month.

Mr W didn't agree because he said he made a number of calls to Monzo and feels Monzo are being dishonest regarding calls that were made. He said he'd go to his own phone provider to get records of the calls that were made. Mr W was unable to provide these, so because an agreement couldn't be reached, the complaint has been passed to me for a final decision.

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'd like to start by explaining that it's important the information on an individual's credit file is an accurate and up to date record of the person's financial history. This is because other lenders may rely on this information when deciding to lend. So in Mr W's case, I need to consider whether Monzo were fair to record the adverse information they did.

I'd also like to reassure Mr W that a default hasn't been recorded – I can understand why he might be confused about this because a default notice was issued, but because Mr W cleared the full amount, the account wasn't ever defaulted. So specifically, what I'm considering in Mr W's case is if it was fair, reasonable and accurate of Monzo to report a late payment marker on his credit file.

The Information Commissioner's Office (ICO) have Principles for the Reporting of Arrears and Defaulting at Credit Reference Agencies which I've taken into account while considering Mr W's complaint. Principles 1 and 2 are what I deem relevant to Mr W's complaint and these state:

Principle 1: Data that is reported on your credit file must be fair, accurate, consistent, complete and up to date.

Principle 2: Should a payment not be made as expected, information to reflect this will be recorded on your credit file.

Mr W completed a current account switch in October 2021, which left his Monzo account with an overdrawn balance of over £450. In early November 2021, Mr W contacted Monzo to ask whether he could make payment when he got paid at the end of the month. Monzo responded confirming they want to make things as easy as possible for him, and if he'd rather pay in instalments that would be fine.

Throughout November 2021, Monzo emailed and texted Mr W regarding the balance owed. There were a few exchanges between Monzo and Mr W in this time – I won't go over everything that was discussed, but I can see Monzo gave Mr W ample opportunity to set up an official payment plan or to make payment. During this period there was no reference from either Mr W or Monzo about his credit file.

On 29 November 2021 Monzo issued a default notice. A day later Mr W paid around half of the balance owed and requested he repay the other half at the end of December. At the end of December Mr W had repaid the full amount and the account was recorded as settled. While I accept that Monzo had agreed Mr W that he could make the payment in two halves, this agreement didn't happen until the default notice had been sent and the account was more than 30 days in arrears – the payment was already late by the time Mr W made the first instalment.

Overdrafts are payable on demand, and when Mr W chose to switch is account and essentially close it, the overdraft was removed, which meant it needed paying in full. Despite Monzo's requests, Mr W didn't make a payment to clear the unarranged overdraft balance until more than 30 days after the closure of his account. So I don't find it unfair or unreasonable of Monzo to have recorded a payment as being late.

I understand Mr W says he had calls with Monzo where he'd specifically asked about the impact paying the debt in two halves would have on his credit file. And he also says he was reassured there would be no impact. But these calls aren't available – Monzo say they have no record of any call from Mr W, and Mr W is unable to demonstrate they were made using his mobile provider. I'm not saying the calls didn't happen, but I need to rely on the evidence that is available to piece together what's more likely to have happened in this case. Because of this, I haven't seen enough evidence to persuade me that Monzo told Mr W that there wouldn't be any impact to his credit file.

I understand Mr W says this has impacted his interest rate on other credit and lending he has. However, all I can see recorded by Monzo is one late payment marker three years ago, and I find it unlikely that Monzo's actions alone are responsible for an increase in interest rates externally. But in any event, because I haven't found that Monzo has done anything wrong in reporting the late payment marker, I wouldn't ask it to put right any impact the late payment marker may have had.

I know this will come as a disappointment for Mr W, but without any evidence of calls, and thinking about the ICO's Principles, I can't say Monzo have treated Mr W unfairly when recording a late payment marker. They are required to report accurate information to the credit reference agencies which in this case, I believe they've done.

My final decision

It's my decision that I do not uphold this complaint against Monzo Bank Ltd ("Monzo").

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 9 January 2025.

Meg Raymond
Ombudsman