

## The complaint

Mr S complains about issues that he experienced when he switched his account with Monzo Bank Limited to another bank.

## What happened

Mr S had a current account with Monzo and he took out a £21,750 loan from it in January 2023. He agreed to make 59 monthly payments of £444.21 and a final payment of £444.04 to Monzo and the loan agreement said that Monzo would automatically take the monthly repayment from Mr S's Monzo current account.

Mr S asked to switch his current account to another bank in December 2023 and it was switched in January 2024 using the current account switching service. Mr S's Monzo current account was then closed. Mr S phoned Monzo the following day because he couldn't access his Monzo current account and he said that he'd not wanted the account to be closed. He was told that he should phone again in 30 days to have the account reopened.

Mr S was told later in January 2024 that a loan repayment had been missed so his loan account was in arrears. He contacted Monzo about this multiple times and it then said that it wouldn't be able to reopen his current account and that he would need to set-up a standing order with his new bank for the loan repayments. Monzo said that it was treating the issues that Mr S had raised as a complaint and that he would receive a response to his complaint.

Mr S hadn't received a response so he complained to this service in May 2024. Monzo issued a final response to Mr S's complaint that month. It apologised for the delays in dealing with the complaint and responding to Mr S's queries. It upheld part of his complaint concerning incorrect advice being given to him about being able to reopen his account and offered to pay him £60 compensation. But it said that it wouldn't be amending Mr S's credit file as there had been no Monzo error regarding his loan repayments.

Mr S's complaint was looked at by one of this service's investigators who, having considered everything, thought that it should be upheld. He said that Mr S's loan repayment would've moved across had Monzo not chosen its method of payment and would've been paid on time so he said that it should remove all the late payment markers from Mr S's credit file and show his loan repayments as up to date. He also said that Monzo should compensate Mr S further for the upset and trouble caused to him and that a further payment of £150 compensation was due.

Monzo didn't agree with the investigator's recommendation and asked for this complaint to be considered by an ombudsman. It says:

- the loan agreement states that it will automatically take the monthly repayment amount from the customer's current account and that if the customer doesn't have sufficient funds, they must arrange another method of payment through its app;
- the loan repayment wasn't set up as a direct debit and the current account switch service only switches active direct debits – so there was no direct debit to switch;
- loan repayments not switching as part of a switch has been an issue observed in previous complaints and the matter has been raised internally for review but its policy

- remains unchanged and was implemented fairly;
- the closure letter sent to Mr S included repayment details so he was informed of his obligation to continue loan repayments and the methods available to do so; and
- it acted in accordance with the terms of the loan agreement and provided necessary information to Mr S on account closure, including clear instructions on how to manage his loan repayments.

### **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.

The current account switch service was set-up to make switching a current account simple, reliable and stress-free so that all regular incoming and outgoing payments are transferred to the new account, along with any remaining credit balance.

Mr S's Monzo account was transferred to another bank in January using that service. Mr S says that he thought that his Monzo account would stay open but I don't consider that Monzo acted incorrectly when it closed his account. Monzo accepts that there was a service failing when Mr S was told that he could reopen the account in 30 days which is incorrect and it offered to pay him £60 compensation. I consider that to be fair and reasonable compensation for the incorrect advice that Mr S was given.

Mr S had a loan from Monzo that he was repaying. The loan agreement says: *"We'll automatically take the monthly repayment amount from your Monzo current account ... You'll need enough money in your account to make the whole payment. If you don't have enough, you must still pay the monthly repayment amount and you'll need to chat to us through the Monzo app to arrange another way to pay"*.

Monzo says that it sent an account closure letter to Mr S and it has provided a template of the letter that it sent. It sets out details of its bank account provider and includes a section about the loan repayments continuing to be due. But there was no reference in that letter to the loan repayments not transferring as part of the account switch.

I accept that the loan repayment wasn't set-up as a direct debit so wouldn't transfer as part of the switch. But Monzo knew that whereas it was unlikely that Mr S would have done so. I consider that the way in which Monzo has set up the loan repayments makes the switching process more complex for customers than it otherwise would be.

Monzo says that it's aware of the issue of loan repayments not switching as part of a switch and the matter has been raised internally for review – but it didn't tell Mr S that his loan repayments wouldn't be transferring and I consider that it would be reasonable to expect it to have done more to explain to him that he would need to set up a new loan repayment.

Mr S made the loan repayment that was missed in January 2024 and, from what I can see, has made all other loan payments when they were due. I consider it to be more likely than not that Mr S would have made the January repayment on time if he'd been properly advised of what he needed to do so I don't consider any adverse information that is now recorded on his credit file to be a true and accurate record of his payment history.

I consider that the issues that Mr S has had with his loan repayments have caused him distress and inconvenience that would have been avoided had Monzo properly advised him of what he needed to do to transfer his loan repayment. I consider that Mr S's complaint should be upheld and that Monzo should take the actions set out.

## **Putting things right**

I find that it would be fair and reasonable in these circumstances for Monzo to remove any adverse information that it has recorded on Mr S's credit file relating to the loan repayment that was made late in January 2024 and that it should pay him £150 to compensate him for the distress and inconvenience that he's been caused by the issues with his loan repayments. That's in addition to the £60 that Monzo has already offered to pay to Mr S.

## **My final decision**

My decision is that I uphold Mr S's complaint. I order Monzo Bank Limited to:

1. Remove any adverse information that it has recorded on Mr S's credit file relating to the loan repayment that was made late in January 2024.
2. Pay £150 to Mr S to compensate him for the distress and inconvenience that he's been caused by the issues with his loan repayments.
3. Pay to Mr S the £60 compensation that it offered to him in May 2024 (if it hasn't already made that payment to him).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 7 October 2024.

Jarrold Hastings  
**Ombudsman**