

The complaint

Mr A complains about information recorded by Monzo Bank Ltd ("Monzo") on his credit report.

What happened

In August 2018 Mr A transferred money from another account into his Monzo account. The money didn't appear in the account as expected, and at the time Mr A was trying to check into a hotel.

He contacted Monzo to ask where the funds were, and it said a third-party it used to process payments was experiencing technical difficulties. Mr A explained his situation, and Monzo agreed to credit his account with £110.67 until the faster payment reached his account. It explained when he received the faster payment, Monzo would take the £110.67 back. Mr A agreed with this.

Shortly after, the technical difficulties were resolved, and Mr A received his payment. He then transferred the full balance in his Monzo account elsewhere, leaving him with a balance of £0.00.

Monzo collected the £110.67 a day later which meant Mr A was pushed into an unarranged overdraft. Monzo continued to contact Mr A regarding repayment, and he messaged Monzo on 11 September 2018 to say full payment would be made at the end of the month.

Mr A went on to raise a complaint in early October 2018 and Monzo issued a final response letter in relation to this. During a subsequent conversation, Monzo agreed to refund all interest and charges that had accrued on the account provided Mr A clear the balance, which he did.

In 2023, Mr A complained that Monzo applied a default on his credit file. Monzo explained it hasn't recorded a default, but a late payment marker, and as this is an accurate reflection of what happened, it wouldn't be looking to remove it. It offered Mr A £25 because of a delay in acknowledging to his complaint within its timescales of four working days.

Because Mr A wasn't happy with Monzo's response, an Investigator here looked into things. They said Mr A should've repaid the temporary credit when he received his funds and therefore Monzo didn't act unfairly in applying the marker. They also felt the £25 compensation was fair in relation to the delay as an answer was still given to Mr A within the regulatory guidelines.

Mr A was unhappy with the opinion, and therefore the case has been passed to me to make a 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 acknowledging Mr A's frustration. I understand it's disheartening to see negative information on a credit report. But I need to consider whether Monzo have acted unfairly when reporting the information.

I know Mr A was concerned that a default was applied to his credit file – but I'd like to reassure him this isn't the case. I can see from the screenshot he sent in of his credit file, and Monzo have told us no default has been applied, but it has recorded that Mr A's account wasn't up to date.

The Information Commissioner's Office (ICO) have set principles for lenders on what they should record, how, and when it should be recorded. Principle 2 says *'Should a payment not be made as expected, information to reflect this will be recorded on your credit file'*.

When Mr A spoke with Monzo regarding needing money to check in to the hotel, it was agreed that once he'd received the faster payment, Monzo could collect the £110.67 it had lent him. Mr A received the transfer in within hours of this conversation, and Monzo informed him it would be collecting payment the following day. Instead of this happening, as agreed, Mr A removed the funds in his Monzo account. As a result, when Monzo collected the £110.67 Mr A owed it, it pushed Mr A into an unarranged overdraft. Despite many chasers, Mr A didn't bring the account back up to date until 29 October 2018.

Monzo's terms and conditions state:

"If you haven't set up an overdraft with us

If you don't have an arranged overdraft with us and your balance goes below zero, we won't charge you, but you should pay this back as soon as possible. If you don't, we may have to report that you're in an unarranged overdraft to the credit reference agencies. This could make it harder to borrow later."

So I've taken into account what happened, as well as the ICO's principles on recording data, and I think Monzo have acted fairly when recording that Mr A's account wasn't up to date. I say this because it's clear Mr A didn't make a payment that was owed to Monzo. This was despite many reminders from Monzo. Therefore, I'm not asking Monzo to remove the marker that's been applied.

Monzo offered Mr A £25 in compensation as it acknowledged his complaint outside of its four-day service level agreement. It appears this is a point about complaint handling, which isn't something our service has the jurisdiction to consider. That said, the Financial Conduct Authority (FCA) states that firms have eight weeks to respond to complaints under the DISP rules, so it doesn't seem Monzo were late responding to Mr A.

I know this decision is likely to come as a disappointment to Mr A, but Monzo is required to update the credit reference agency with fair, accurate, consistent and up-to-date information, and based on everything I've seen, I'm satisfied Monzo have done this.

My final decision

It's my decision that Monzo Bank Ltd have treated Mr A fairly when recording that his account wasn't up to date, and therefore I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 5 November 2024.

Meg Raymond
Ombudsman