DRN-5247823

The complaint

Ms B complains about the way Monzo Bank Ltd Plc have treated her in respect of her financial difficulties.

What happened

The detailed background of this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Ms B had an overdraft on an account she had with Monzo. In summary, Ms B complains that:

- Monzo did not offer her any support in respect of her account arrears and financial difficulties. And instead defaulted and closed her account.
- When she called Monzo on 14 May 2024 to ask how to clear her overdraft balance Monzo told her she could clear the balance by transferring money into her closed Monzo account. This was incorrect and the payments she made weren't applied to her overdraft. So, Monzo continued to chase her to clear her overdraft.
- Ms B transferred two payments from another bank account to clear her overdraft - £700 on 26 May 2024 and £336 on 31 May 2024.
- Ms B believes she has settled her debt so Monzo shouldn't be asking her to pay off her overdraft again.
- Due to Monzo's actions her credit file has been impacted which is making it difficult for her to buy a property and car. Her health has also been affected, and the overall situation has been very stressful.

Monzo said it hadn't treated Ms B unfairly when it defaulted her account. And had reached out to try and help Ms B after she'd told them she was having trouble clearing her arrears but Ms B hadn't engaged with them.

Monzo says it tried to agree a repayment plan with Ms B but without success and says it made the decision in line with the account terms and conditions to ask for the overdraft to be repaid. It also says it accurately reported the account position to the Credit Reference Agencies (CRA's).

Monzo said when Ms B called them on 14 May 2024 it did tell Ms B that she could transfer frunds to her closed Monzo account, which was wrong. Due to Ms B's account being closed the two payments Ms B made to clear her overdraft at the end of May 2024 were returned to the sending bank. Following this Ms B recevied autommated messages to clear her overdraft from them.

On 31 May 2024, Ms B contacted Monzo after receiving one of the automated messages. Ms B told Monzo that she'd made two payments and sent Monzo sreenshots of her bank account showing the transfers being made. Monzo tried to trace the payments but couldn't locate them. So, on 3 June 2024, Monzo asked Ms B to provide more detials inlcuding any reference numbers she'd used when making the payments. Ms B got back in touch with

Monzo on 6 July 2024 and resent the screenshots. In response, Monzo asked her to provide more informaiton about the payments and told Ms B that the payments would have been sent back to her other bank account as her Monzo account was closed.

Ms B complained to Monzo. She said she accepted that Monzo could default her account. But she said Monzo didn't offer her any help when she was struggling and gave her wrong information about how to repay what she owed. Ms B says this has impacted her credit file negatively and caused her a great deal of stress.

In response, Monzo said it had reached out to Ms B after she made them aware of her financial problems but Ms B hadn't reponded to their offers of assistance including setting up a repayment plan. Monzo said it hadn't done anything wrong when it defaulted Ms B's account. And Ms B still owed just over £1,000. However, it accepted the service it provided Ms B had fallen short at times. To put things right it offered Ms B £75 compensation.

Ms B remained unhappy and brought her complaint to our service. She maintained that she had cleared her overdraft so her credit file should be amended to reflect this. She also said Monzo gave her wrong information when it told her she could transfer money to her closed account to clear her overdraft debt. She said £75 compensation isn't enough to reflect the amount of trouble and uspet she has been caused by Monzo's giving her wrong infromation.

One of our investigator's looked at Ms B's complaint. In summary they said:

- Both Monzo and Ms B had made errors – Monzo had responded to Ms B's request for a repayment plan, but Ms B hadn't engaged with them.
- Ms B didn't respond to Monzo's requests to provide further information to help them trace the payments she made in May 2024 to clear her overdraft.
- Monzo did provide Ms B with wrong information when it told Ms B she could make payments to her closed Monzo account. But Ms B should have provided information to Monzo in July 2024 to help them trace the payments.
- Ms B should check her other bank account to make sure the payments hadn't bounced back into her account.
- Monzo was right to default Ms B's account and did so in line with the terms and conditions of the account.
- Monzo's offer of £75 compensation was fair and reasonable.

Ms B didn't accept that view and remained unhappy that she was given wrong information about how she could clear her overdraft. She maintained that she has paid Monzo what she owes and doesn't understand why she should pay again.

As no agreement could be reached the matter has come to me to decide.

Prior to issuing this decision I asked the investigator to get some more information from Ms B. I asked Ms B to provide copies of her bank statement from the account she made the payments to clear her overdraft in May 2024. I thank Ms B for providing these to us. And I've taken these into consideration along with everything else Ms B has told us about her complaint.

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.

In deciding what's fair and reasonable here I've taken into account guidance issued by the Information Commissioner's Office (ICO) which says when a consumer is at least three months behind with their payments then a default notice may be registered. And it would expect the default to be registered by the time the consumer is six months behind with their payments. I've also taken into account relevant rules and guidance that are contained in The Financial Conduct Authority's Consumer Credit Sourcebook, (CONC), which sets out that firms should treat consumers in default or in financial difficulties with forbearance which would include such things as accepting token payments for a reasonable period of time, waiving or cancelling any further interest of charges.

The key issue I need to decide here is whether Monzo has treated Ms B fairly in respect of a debt that appears to have resulted from use of her current account. Ms B had an overdraft debt of just over £1,000 that she needed to pay back.

Does Ms B still owe Monzo money?

Ms B maintains that as far as she is concerned in May 2024 she paid Monzo what she owed. So, she can't understand why Monzo kept sending her emails asking her to clear her overdraft. She has said she sent Monzo screenshots which showed her making bank transfers from another account she has to her closed Monzo account. She made the payments after being told by Monzo that her closed account could accept the payments.

I've listened to a call recording of a conversation between Ms B and Monzo on 14 May 2024, and during the call the advisor told Ms B that she could send the payments to her closed account. This wasn't correct. Because the account was closed the payments were sent back to Ms B's other bank account. So, I'm satisfied that Monzo made mistake here.

I've looked at the bank account statements that Ms B has recently provided, and I can see that both payments were returned to this account. So, Ms B has got her money back. This means she still owes Monzo money.

Monzo has accepted it made a mistake when it told Ms B she could transfer money to her closed account to clear her overdraft. It has offered Ms B £75 compensation for the trouble and upset this caused her. Ms B says this isn't enough. She says Monzo are incompetent and should have told her that her money had been sent back.

I've thought about Ms B's comments. And I agree Monzo's service fell short when it told her it could accept a transfer into her closed account. But I can also see that on 10 July 2024, Monzo told Ms B in an email to check her bank account statements and that the funds would have been returned to her other account. I don't think it's unreasonable to conclude that this should have prompted Ms B to check. But I can't see that she has done so. Given the returned funds reinflated her bank balance I find it odd that Ms B didn't notice the payments hadn't gone through. So, although Monzo made a mistake initially, they pointed Ms B in the right direction, which if Ms B had taken onboard what she was told would more likely than not resulted in Ms B repaying her overdraft sooner. With this in mind, I think the £75 compensation offered by Monzo is fair and reasonable. So, I won't be asking Monzo to pay Ms B more compensation.

Did Monzo treat Ms B fairly when it asked her to repay her overdraft?

I have looked through Monzo's records, which includes looking at emails, in-app chat messages and listening to phone calls between Ms B and the bank. Having done so, I can see that Ms B told Monzo that she was struggling financially due to caring for her mum who unfortunately became unwell in 2020.

Having done so, I'm satisfied overall, that Monzo acted positively and sympathetically to Ms B's position. I appreciate that Ms B was unable to work due to her caring responsibilities and a change in her employment. But from looking at the correspondence I can see that Monzo acted fairly by offering to work out a repayment plan for Ms B to repay her overdraft. And they asked Ms B to complete an income and expenditure assessment on more than one occasion between August 2023 and 1 May 2024 to help put this in place. But Ms B didn't engage with Monzo. Ms B didn't contact Monzo until 14 May 2024 about how to repay what she owed. So, I can't say Monzo didn't do what I'd expect them to do.

I'm satisfied that in line with the account terms and conditions Monzo was entitled to ask Ms B to repay the overdraft on demand. And I think by that stage Monzo fairly concluded that there was no real prospect of Ms B keeping to the terms of any repayment plan. Banks and building societies should treat customers in financial difficulties positively and sympathetically and I'm satisfied Monzo acted in such a way here by trying to agree a repayment plan. Based on the evidence I've seen I can't see that Ms B was prepared to meet Monzo halfway to put in place Monzo's suggestion of a repayment plan which may have made things a bit easier for Ms B to manage financially.

I appreciate that Ms B accepts Monzo defaulting her account. For completeness I think Monzo is under a duty to accurately report the position of its customer's accounts to the CRA's. I think that the relationship between Monzo and Ms B had broken down and that Ms B had a reasonable period of time to either bring the balance of the overdraft down or agree to a repayment plan. As neither of those happened I don't think Monzo made a mistake by defaulting the account and reporting that to the CRA's.

Overall, I'm satisfied that Monzo tried on a number of occasions to help and support Ms B and so, I can't fairly ask it to do anything further in the circumstances of this complaint. That being said if Ms B would like Monzo to reconsider and suggest another repayment plan which is more sympathetic to her situation, Ms B may wish to give them a call to see if they can come to an agreement on a new arrangement based on her current situation.

In summary, I can see that Monzo providing Ms B with wrong information caused Ms B stress and inconvenience. Taking into account the impact Monzo's error had on Ms B, along with the guidelines for compensation which I must be consistent with, and all the circumstances of this complaint, I find that their offer of £75 compensation is fair to put that right. I find no fair or reasonable basis on which to award anything more.

My final decision

For the reasons I've explained, I find Monzo Bank Ltd has already made an offer to pay £75 to settle the complaint and I think this offer is fair in all the circumstances.

So, my decision is that Monzo Bank Ltd should pay Ms B £75.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 4 September 2025.

Sharon Kerrison
Ombudsman