

## **The complaint**

Mr A is unhappy with the service he received from Monzo Bank Ltd surrounding a payment that he made.

## **What happened**

Mr A has a credit account with Monzo. In May 2024, Mr A contacted Monzo and explained that he was experiencing mental health issues which had impacted his ability to work meaning that he was only receiving statutory sick pay. Monzo applied 'breathing space' to Mr A's account and explained that while this meant that Monzo wouldn't chase Mr A for any payment to his account while the breathing space was in force, Monzo would still report any scheduled payments that Mr A didn't make to the credit reference agencies ("CRAs").

Not wanting to miss a payment, Mr A made a payment to his account on 26 May 2024, while still in the breathing space hold. But Mr A mistakenly made the payment as an 'extra payment', meaning that it wasn't applied to the next upcoming payment, which continued to remain due. And because Mr A didn't make the next due payment – because he mistakenly believed that he'd already made it – his account fell into arrears.

Mr A contacted Monzo and asked them to apply the extra payment he'd made in error to the account arrears, but Monzo said that it wasn't possible for them to do so. Mr A wasn't happy about this, so he raised a complaint. Monzo responded to Mr A but reiterated their position. Mr A wasn't satisfied with Monzo's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. They didn't feel that Monzo had done enough to help Mr A when it became clear that he'd made an extra payment in error and so they said that Monzo should consider Mr A to not have missed the payment and to amend their reporting to the CRAs accordingly.

Our investigator also said that Monzo should pay £300 compensation to Mr A for the upset this matter had caused. Monzo didn't agree with the recommendations put forward by our investigator, so the matter was escalated to an ombudsman 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.

Mr A has explained that when he made the payment in question, the only option available to him was to make the payment as an 'extra' payment. And Monzo have confirmed that this was because the option to make a payment to be applied to the next upcoming due payment only becomes available at a set time before the next payment is due.

Mr A has accepted that he made a mistake in making the payment as an extra payment. And I note information provided by Monzo which shows that Mr A would have been shown information when making the payment which confirmed that the payment wouldn't be applied to the next scheduled due payment.

Monzo have also explained that they don't have the functionality to re-apply the payment that Mr A made. And because Mr A made a mistake in making the payment, which Monzo themselves weren't responsible for, they don't agree with our investigator's view that they could and should have done for Mr A when he contacted them about the payment.

But looking at the wider context here, when Mr A had previously spoken with Monzo when the breathing space hold was applied, he'd told Monzo that he was struggling with mental health issues and that he was in financial difficulty. And while I appreciate that there might be limitations with Monzo's systems that would have made helping Mr A difficult, I feel that Monzo have a duty to consumers, and especially to vulnerable consumers like Mr A, to have made every effort to help.

There are various ways that I feel that Monzo could have done this. For instance, if Monzo couldn't arrange for the payment to be reallocated, they could have applied a temporary credit to Mr A's account to cover the next due payment with the temporary credit scheduled to be removed when the payment that Mr A's extra payment was applied to became due.

But Monzo don't appear to have made any tangible effort to have helped Mr A here, despite knowing that he was in financial difficulty such that effectively losing the extra payment amount wasn't something that he could afford, and despite knowing that he was struggling with mental health issues at that time. Instead, they said that it wasn't possible to help Mr A because their systems won't allow it.

Ultimately, I don't feel that Mr A should fairly be expected to bear the adverse consequences of Monzo's system limitations. And I feel that if Monzo had truly wanted to help Mr A, then they would have found a way to do so. And because of this, I'll be upholding this complaint in Mr A's favour.

It's my understanding that Mr A was able to borrow money to make a payment to clear the arrears that developed on the account, and so there is no re-allocation that now needs to take place. As such, my instructions to Monzo are that they must consider Mr A to have not missed the payment in question and amend their reporting to the CRAs so that any missed payment reporting is removed. Additionally, if any fees or charges have been applied to Mr A's account relating to the missed payment, Monzo must reimburse these along with 8% statutory interest.

Finally, Monzo must pay Mr A £300 as compensation for the trouble and upset that he's incurred here. And I confirm that in arriving at this position I've considered the impact of what happened on Mr A, given his personal and financial circumstances at that time, alongside the general framework that this service uses when assessing compensation amounts, details of which are available on this service's website.

### **Putting things right**

Monzo must amend their reporting to the CRAs so that any missed payment reporting for the payment in question is removed.

Additionally, if any fees or charges have been applied to Mr A's account relating to the missed payment, Monzo must reimburse these along with 8% statutory interest.

Finally, Monzo must pay Mr A £300 compensation.

### **My final decision**

My final decision is that I uphold this complaint against Monzo Bank Ltd on the basis

explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 25 February 2025.

Paul Cooper  
**Ombudsman**