

The complaint

Ms H is unhappy that Monzo Bank Ltd aren't accepting her loan payments, have chased her for payments that she'd made, and have reported adverse information to her credit file.

What happened

In April 2022, Ms H successfully applied for a £15,000 personal loan with Monzo. The loan was scheduled to be repaid by Ms H over 60 months with monthly payments of £355.32. However, Ms H found that she was unable to make the loan repayments, and in November 2022 she entered a repayment arrangement with Monzo whereby she would pay a reduced amount of £216 per month, with the term of the loan extended accordingly.

Following the arrangement, Ms H made the £216 reduced loan payments as required. But from July 2024 an issue with Monzo's systems caused Ms H's monthly payments to be returned to her, and to not be allocated to her loan. And this in turn caused Monzo to chase Ms H for the payments she'd made but which had been returned to her and caused Monzo to make adverse reports to her credit file. Ms H wasn't happy about this, so she raised a complaint.

Monzo responded to Ms H and acknowledged that they were at fault for what was happening. Monzo apologised to Ms H and agreed to retrospectively correct her credit file reporting when the issue was resolved. Monzo also paid a total of £275 to Ms H as compensation for any trouble or upset she may have incurred. Ms H wasn't satisfied with Monzo's response, especially as the issue remained ongoing and unresolved. So, she referred her complaint to this service.

One of our investigators looked at this complaint. They felt that Monzo were committed to taking fair corrective action upon resolution of the system issue that was causing the problem. But they felt that the £275 that Monzo had paid to Ms H didn't take full account of the trouble and upset she'd incurred, and so recommended that Monzo pay a further £100 to Ms H, taking the total compensation amount to £375. Monzo agreed to our investigator's recommendation, but Ms H remained dissatisfied. 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.

Monzo have accepted that an ongoing issue with their systems has caused Ms H's loan payments to be returned to her and to not be allocated to her account. And Monzo also acknowledge that this caused them to incorrectly chase Ms H for payments she'd already made and for them to report adverse information to Ms H's credit file.

Accordingly, I'm not tasked here with deciding whether Monzo have made an error. Instead, my task is to decide whether I feel the corrective action that Monzo have committed to, and the compensation that they've paid to Ms H for what has happened, represents a fair

resolution to Ms H's complaint.

I'm always reluctant to issue a final decision while an ongoing issue is still ongoing. However, Monzo have recently explained that the system issue that has caused these problems is now largely fixed, and that their Ms H's loan payments should once again be accepted by their systems in the near future. As such, I feel that it is reasonable for me to issue a final decision on this complaint at this time.

When a business makes a mistake, this service would generally expect that business to return an affected customer to the position that they should be in, had the mistake not occurred. In this instance, Monzo have explained that when the system issue is resolved, they will correct the credit file reporting that they've made so that it is as it should have been, had the system error not happened.

This seems fair and reasonable to me. And while Ms H has said that she feels that Monzo's adverse reporting to her credit file has caused her some detriment, I'm not persuaded that this is the case.

One reason I take this position is that Ms H had already entered a long-term payment arrangement on the loan in November 2022. And this means that the correct reporting for the loan during the time that Monzo's system issue is ongoing is that Ms H was in an arrangement, which can be perceived adversely by credit providers to which Ms H might apply who then make an assessment of Ms H's credit file.

In short, this means that it wasn't the case that Ms H's credit file reporting for this loan was 'unblemished', such that Monzo's reporting blemished Ms H's credit file. Instead, Ms H had already incurred potentially adverse reporting by being unable to meet the terms of the loan agreement and requiring a long-term payment arrangement. And Monzo have confirmed that when they correct Ms H's credit file reporting, that corrected reporting will show that Ms H has been in a long-term payment arrangement during the time in question.

Ms H has also said that she's applied for credit while this issue has been ongoing but has been rejected because of Monzo's incorrect reporting. But Ms H hasn't been able to evidence any rejected credit applications. And if Ms H did have credit applications rejected, I'm not convinced that they would have necessarily been successful if Monzo had been correctly reporting that she was in a long-term payment arrangement, given that credit providers can consider such arrangements negatively, as previously mentioned.

Of course, it remains the case that the payments Ms H made to the loan weren't accepted by Monzo and that Ms H was chased by Monzo because of this. And it seems clear that Ms H has incurred a degree of upset, worry, and frustration that she reasonably shouldn't have here because of this. And while Monzo have committed to resolving the situation, and appear to be close to doing so, the issue has been ongoing since July of last year.

Another factor that must be considered are Ms H's personal circumstances, which include that she has recently left an abusive relationship. This is an important consideration because this service considers the impact of events on the complainant, and I feel that the impact of what happened on Ms H has unfortunately been exacerbated by the stress and strain of her wider personal circumstances.

Given the above, while I would most likely feel that the £275 compensation that Monzo paid to Ms H would be fair and reasonable under usual circumstances, I feel that because of the heightened impact of these events on Ms H, that a slightly higher award of compensation should be merited. Accordingly, I'm in agreement with our investigator that a total compensation amount of £375 does represent a fair resolution to this complaint.

In arriving at this position, I've considered the impact of what happened here on Ms H, including her personal circumstances and the mitigating factors I've described previously. And I've also considered the general framework this service uses when assessing compensation amounts, details of which can be found on this service's website. Having done so, I feel that £375 is a fair total compensation amount. As such, my final decision here will be that I uphold this complaint and instruct Monzo to pay a further £100 to Ms H.

I realise this might not be the outcome that Ms H had wanted. But I hope that Ms H will understand, given all that I've explained, why I've made the final decision that I have.

Putting things right

Monzo must pay a further £100 to Ms H, so that the total compensation payable for this point of complaint is £375.

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 Ms H to accept or reject my decision before 27 May 2025.

Paul Cooper
Ombudsman