

The complaint

Mr M is unhappy with how Monzo Bank Ltd (Monzo) have reported his Flex account and overdraft to the credit reference agencies (CRA). He says Monzo have misrepresented his financial standing and this has had both a financial and personal impact for him.

What happened

I issued my provisional findings to both parties setting out why I thought Mr M's complaint should be upheld and invited both parties to provide any further submissions in reply to my provisional decision.

The background to this complaint was set out in my provisional decision together with my provisional findings. The background and my provisional findings are copied below and now form part of this final decision.

Background

On 17 November 2023 Mr M's Individual Voluntary Arrangement (IVA) proposal was approved. The debt charity supporting Mr M with the IVA let him know they would notify his creditors that the IVA had been accepted and told him that he should no longer make payments to his various creditors. The debt charity kept Monzo updated during the IVA process.

Prior to the IVA being approved Mr M had notified Monzo on 8 October 2023 that he was engaging with the debt charity about his financial difficulties. On 10 October 2023 Monzo agreed to put breathing space in place for Mr M while he sought advice and confirmed the breathing space would end on 24 November 2023. Monzo made an internal referral to a specific team about Mr M's notification that he was exploring the option of an IVA.

The day before the breathing space was due to end Monzo contacted Mr M to remind him the breathing space was ending and to get in touch. In the absence of any contact from Mr M, Monzo returned to following their collections process for the outstanding sums due on the respective accounts. Several communications were sent to Mr M during November 2023 and December 2023 seeking payment for the sums due.

Mr M's overdraft was reported to the CRAs as defaulted on 27 December 2023.

On 4 January 2024 Mr M responded and asked Monzo to stop emailing him as he was in an active IVA. On the same day Monzo reported Mr M's Flex account as defaulted to the CRAs.

On 6 January 2024 the relevant Monzo team reviewed the internal referral from 10 October 2023 but no further action was taken at the time except to note Mr M should be passed to the appropriate team for support if he contacted Monzo.

On 16 January 2024 Monzo contacted Mr M to confirm receipt of his message that he was in an IVA and told him that he need not take any further action and he could ignore any letters Monzo were legally obliged to send.

Mr M contacted Monzo on 24 January 2025 to say they were wrongly reporting his accounts to the CRAs. Mr M said Monzo had reported missed payments and defaults after his IVA had started. Mr M explained he was meeting his financial obligations and the payments required under the terms of the IVA, so he was not missing payments as Monzo's reporting suggested and this – together with the defaults Monzo were reporting – was causing undue harm to his credit file.

Monzo initially responded to Mr M on 3 February 2025 and incorrectly suggested the defaults had been reported on 14 October 2023, prior to the IVA being agreed. However, following a review Monzo recognised the defaults for Mr M's accounts were wrongly reporting and a request was submitted on 12 February 2025 to backdate the date of each respective default to the date the IVA was accepted on 17 November 2023.

Monzo acknowledged the error and offered Mr M £80 to reflect the trouble and upset caused to him. They later increased this to a total of £125 when the matter was brought to this service. Mr M did not accept the offer as he did not believe it reflected the real impact to his financial circumstances stating several applications for credit had been declined due to Monzo's misrepresentation of his financial situation and nor did the sum reflect the level of personal upset caused to him.

Our Investigator reviewed the matter and concluded the offer of £125 was fair in the circumstances. They also explained there was not enough to support that any unsuccessful credit applications had been due to Monzo's misreporting.

Mr M strongly disagreed. He maintained there had been a negative impact to his credit file and the problem caused him a lot of stress. Mr M pointed out that his other creditors had reported correctly and recognised any error with substantive compensation. He also said consideration should be given to the length of time his credit file was not being reported correctly. Mr M said the level of compensation should therefore be increased.

Provisional Findings

I've only included a summary of what has happened above, but I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Given some of the submissions made by Mr M in relation to this complaint I think it first helpful to explain the role of this service is to resolve individual complaints based on what is fair and reasonable in the circumstances of each case. So it is not for this service to interfere with a firm's processes, systems or controls nor fine or punish firms – these are things for the appropriate regulator to consider.

At the heart of this matter is that Monzo was misreporting information to the CRAs about Mr M's accounts with Monzo. This is not in dispute and the defaults are now being correctly reported in line with the date of Mr M's IVA – which is the recognised approach within the industry. So there is nothing more to put right here.

What remains for me to consider is the impact this has had for Mr M in financial and non-financial terms. Non-financial terms being to recognise the distress and inconvenience caused to someone as a result of what's gone wrong. I'll deal first with the concerns Mr M has raised that the misreporting caused him unnecessary harm when he was seeking access to financial products.

I recognise Mr M's frustration here is mainly that the Monzo defaults came after the IVA was

in place therefore wrongly suggesting that, despite taking responsibility and formal action to improve his financial circumstances, he had continued to not meet financial commitments.

It's not disputed Monzo's reporting was not accurate and up to date as required, but there is not enough evidence here to say this misreporting was the sole cause of any unsuccessful credit applications as Mr M has suggested.

As I believe Mr M understands, lenders considering approval for credit will take into account a variety of things to reach a lending decision including not only an individual's credit file, but also – and not limited to - an individual's income and outgoings and ability to sustainably afford payments. Lenders also do not use the credit score provided by a CRA to a customer as the lender will have their own underwriting criteria.

I appreciate that it's difficult for Mr M to learn the reasons behind why a lender declined any credit applications he made after his IVA was agreed, and lenders do not have to disclose in detail why they've declined credit for someone. But in Mr M's case I am mindful that an IVA (a formal insolvency arrangement) and it being a relatively recent IVA, would have impacted his financial standing.

I realise this will come as a disappointment to Mr M, but taking this all into account, in the circumstances, there is not enough here for me to say Mr M suffered any financial loss directly as a result of Monzo's inaccurate reporting. I've therefore gone on to consider whether Monzo's offer of £125 to acknowledge the distress and inconvenience caused to Mr M is fair in the circumstances.

Mr M submits the time his account was being wrongly reported should be considered in terms of the impact to him. I've noted Monzo's reporting was inaccurate for over a year and this is not an insignificant period of time but, as I've already explained, my role here is not to fine or punish a firm and my considerations are therefore limited to the distress and inconvenience caused to Mr M.

I have no doubt, given the difficult situation Mr M had found himself in that his creditworthiness and financial standing was important to him. So I can see that Mr M was upset to learn in January 2025 that information about his financial circumstances was not being reported accurately, particularly after he had taken formal measures to put himself into a better financial position and had, after confirming to Monzo on 4 January 2024 that he was in an IVA, reasonably understood he had done everything needed to ensure the status of his accounts was being reported correctly.

But when considering the distress caused to Mr M by these events I am mindful he was unaware of the misreporting during that year, so I think it's fair to say Mr M could not have been caused distress or inconvenience by something he did not know about. And I've already explained there is not enough here for me to say any unsuccessful credit applications during that year were the direct result of Monzo's error. There's also nothing to suggest Mr M checked his credit file following any declined credit application.

However I think it's fair to say that finding out Monzo had not been accurately reporting his accounts to the CRAs was a shock to Mr M and upsetting for him, and it put him to some inconvenience in that he had to contact Monzo again about a matter he had reasonably understood had already been dealt with in January 2024.

I have taken this into account when considering the impact to Mr M after making the discovery about the inaccurate reporting in January 2025.

When Mr M contacted Monzo in January 2025 it was unhelpful that Monzo then suggested

to Mr M the defaults had been reported in October 2023; however, on 12 February 2025 Monzo did request that the defaults be aligned with the date of the IVA. So it did not take long for Monzo to action putting things right, and I think it's fair to say once they had done this Mr M was not put to any further inconvenience of making another request to correct the reporting.

But it is disappointing Monzo made the error they did given they had been told about the IVA in 2023. And I think Mr M's upset on discovering the error in January 2025 was exacerbated by the fact Monzo had assured him in January 2024 that they had recorded his IVA. In addition to the general upset caused to him, Mr M has expressed the worry he then experienced on learning it could take several weeks to update his credit file. In the circumstances, while it is recognised updating credit files can sometimes take some time, given Mr M's experience of Monzo and the wrong assurance he was previously given, I think it fair to say his worry would have remained heightened until his credit file was being accurately reported.

Recognising the level of distress caused to an individual in financial terms is not an easy matter to decide, but I have weighed up Monzo's offer of £125, and in the circumstances I think it fair to increase the level of compensation to a total of £200.

Responses to my provisional decision

Monzo replied to my provisional decision and accepted it.

Mr M replied to my provisional decision and said £200 was not enough to reflect how this matter had impacted him. Mr M repeated Monzo's shortcomings and said it was unfair to not recognise any impact to him while he was unaware of the error given damage was still being caused to his credit file during that time, and this was enough to cause significant anxiety.

Because of this Mr M asked for the recommended compensation to be reconsidered and increased to £300 to better reflect the time lost, the emotional toll and the serious implications of Monzo's continued misreporting.

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 M has asked me to reconsider the level of compensation I proposed in my provisional decision to settle this matter. In the circumstances I think it may help to be clear that the compensation proposed is not a sum to fine or punish the business, nor is it a sum to recognise any possible financial loss, rather it is a sum to acknowledge that because things went wrong Mr M was affected personally in terms of the distress and inconvenience caused to him by these events.

When determining an award of this nature our service considers such things as the time taken to sort out a mistake, the impact to someone's health and whether there was anything an individual may have been able to do in order to reduce the impact of the business's mistake.

In his recent response Mr M repeated Monzo's shortcomings including that Monzo had been made aware of the IVA in 2023; that Monzo assured him things had been put right in January 2024 and that he had needed to proactively chase and sort things out with Monzo. I do not dispute these points as they were all part of the considerations in my provisional

decision, but I've not seen anything new here in terms of what happened to persuade me to increase the amount of compensation proposed.

Mr M also said that whether or not he was aware of the problem in the year from January 2024 (when he believed everything had been sorted out), his credit file was still being damaged in the background, and it was undermining financial decisions and worsening his credit file, all of which Mr M said was enough to cause significant anxiety, particularly for someone trying to better their financial standing.

I have no doubt this was not an easy time for Mr M given he was in an IVA and trying to rebuild his creditworthiness. And I assure Mr M that I am not ignoring the error or Monzo's misreporting from January 2024 after he believed everything to have been resolved until he discovered otherwise a year later. However, I am not persuaded I can reasonably say Monzo can be held directly responsible for any anxiety Mr M experienced during that year.

I say this because I think it's fair to say Mr M was already in a difficult financial situation having to enter into an IVA to take control of his financial affairs – I think it's reasonable to say financial circumstances of this nature are generally considered upsetting. And I have already explained there is not enough to support Monzo was the direct cause of any unsuccessful credit applications. An error can set off a chain of events, but in this case I think because there were other variables here likely to be contributing to Mr M's anxiety and given Mr M's general circumstances, I think it would be unfair in this case to say any disappointment or upset caused by such unsuccessful applications ought to be attributed to Monzo, and I've not seen anything else to suggest Monzo more directly impacted Mr M during that time.

My findings here are not intended to be dismissive of what Mr M has said, but in the circumstances for the reasons above I've not seen enough to say it would be fair in this case to increase the compensation I proposed in my provisional decision.

Putting things right

Monzo Bank Ltd should pay Mr M £200.

My final decision

For the reasons above I uphold Mr M's complaint and Monzo Bank Ltd should put things right as I've described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 10 July 2025.

Kristina Mathews
Ombudsman