

The complaint

Miss F complained about the way Monzo Bank Ltd (“Monzo”) administered her account.

What happened

The parties are familiar with the background of this complaint so I will summarise it here which reflects my informal remit.

Miss F disputed a £900.35 card transaction in September 2024. Monzo applied a temporary credit while it investigated, but when the merchant successfully defended the chargeback, Monzo removed the temporary credit on 26 December 2024. This put Miss F’s account into an unarranged overdraft.

Miss F contacted Monzo in December 2024 to set up a repayment plan, but Monzo said it could not do so until the temporary credit had been removed. In January 2025 when Miss F contacted Monzo to set up the repayment plan, it asked her to complete a budget assessment, which she did on 20 January 2025. The budget showed she was in deficit, so Monzo asked her to confirm whether the figures were accurate.

Throughout February 2025 Miss F and Monzo exchanged messages about setting up a repayment plan. Miss F repeatedly confirmed that the budget figures were correct and told Monzo that she had a second source of income which helped her with her payments. On 26 February 2025 Monzo asked Miss F how much she could afford to pay and when she wanted the repayments to start. When Miss F responded £50 per month, Monzo asked further questions about her second income. On 4 March 2025 Miss F confirmed she had a second job and Monzo set up the £50 per month repayment plan.

Monzo recorded Miss F’s account as being in arrears for January and February 2025 and reported this to the credit reference agencies. Miss F complained saying that the arrears shouldn’t have been recorded, while a repayment plan was being discussed, and that Monzo’s delays caused the arrangement to be put in place later than it should have been. Monzo issued a final response and paid £50 for the delays but maintained it had recorded accurate information on Miss F’s credit file.

When an investigator reviewed the case, they didn’t uphold the complaint. In summary they said Monzo couldn’t set up an arrangement without confirming it was affordable, and they only received this information on 4 March 2025. As the account was in arrears during this period, the investigator said Monzo was obligated to report this accurately. With regard to the service issues, they thought Monzo had already taken this into consideration when it provided £50 to Miss F for the poor service.

Miss F disagreed with the investigator. In summary she said:

- The budget tool did not allow her to clearly show she had a second job, so she had to complete it using only her main income.
- She was actively trying to set up a repayment plan from January 2025 onwards.
- The expectation to make payments prior to an agreement in place with Monzo was unreasonable.

- The delayed responses and Monzo's failure to ask appropriate follow-up questions within a reasonable timeframe, negatively impacted her, which she considered unfair.

As Miss F remained unhappy with the investigator's view, the case has been referred to me 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.

Whilst I've read and considered everything, if I don't mention any specific point, it's not because I failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome. This is not meant as a discourtesy but rather reflects my role of resolving disputes with minimum formality.

The key issue in this case is whether Monzo acted fairly when it reported Miss F's account as being in arrears for January and February 2025, given that she was in contact with Monzo during that period trying to set up a repayment plan.

There is no dispute that when Monzo removed the temporary credit on 26 December 2024, Miss F's account went into an unarranged overdraft. At that point she owed Monzo £900.35 and was required to either clear the balance or to agree a repayment arrangement.

Miss F contacted Monzo to try and set up a repayment plan. However, before agreeing to any arrangement, Monzo needed to assess whether any proposed repayments would be affordable. I consider this was reasonable, as lenders are required to ensure that repayment plans are sustainable and based on accurate financial information.

Miss F completed Monzo's budget assessment on 20 January 2025. This showed she was in deficit and had no disposable income. In those circumstances, I am satisfied Monzo couldn't reasonably have agreed a repayment plan without first seeking further clarification. To have done so would have risked putting in place an arrangement that might not have been affordable or sustainable for Miss F.

I can see that Miss F messaged Monzo a number of times during February 2025. She told Monzo she was able to make payments and that she had another source of income which helped her meet her financial commitments. I understand why she found it frustrating that Monzo continued to ask for more information, as it's clear she was trying to resolve the situation and was willing to make payments.

I've also considered Miss F's point that the budget tool didn't allow her to include her second job and that, because she had already said she could afford to pay, Monzo could've started the repayment arrangement sooner. However, on 20 January 2025, Monzo had clearly told her that her budget assessment showed a deficit and asked whether the figures were accurate. From that point onwards, I consider Miss F had the opportunity to explain that the shortfall was covered by income from a second job, or to say the tool didn't allow her to record this. Although she did tell Monzo she had another source of income, she didn't provide enough detail for Monzo to reassess her affordability until 4 March 2025. It was only then that Miss F confirmed the additional source of income was from a second job. Once this information was provided, Monzo set up the £50 per month repayment plan. In those circumstances, I don't find it unreasonable that Monzo continued to seek clarification before agreeing to a repayment plan.

I've also considered Miss F's comments that, if Monzo had acted more quickly, and not caused delays, a repayment plan could've been put in place sooner and arrears wouldn't have been recorded for January and February 2025. I accept that Monzo's responses were sometimes slow and that it could've communicated better. I can see that Monzo has already recognised this by paying £50 in compensation, which I consider to be fair in the circumstances.

However, even allowing for those delays, Miss F's budget assessment showed a significant deficit and no disposable income. Monzo had also raised concerns about this from 20 January 2025, so I don't consider its delays prevented Miss F from providing information about her second job sooner. I can see that once Monzo had what it needed to confirm the plan was affordable, there were no unreasonable delays in arranging the repayment plan.

As there was no agreed and affordable repayment plan in place, during January and February 2025, and no payments were being made to reduce the overdraft, the account remained in an unarranged overdraft and was in arrears.

Credit reference reporting must reflect the factual position of an account. Miss F says it was unfair for missed payments to be recorded while a repayment plan was being discussed. But discussions about a possible repayment plan, on its own, does not change an account's status - only an agreed and affordable arrangement can do that. As no such arrangement was in place until 4 March 2025, I don't consider Monzo acted unfairly or unreasonably by reporting the account as being in arrears for January and February 2025. Once the arrangement was agreed in March 2025, Monzo reported the account as being in an arrangement which I consider was fair.

I appreciate Miss F will be disappointed by this outcome. However taking everything into account, I am satisfied that Monzo reported accurate and fair information to the credit reference agencies. For the service failings, including delays in responding to Miss F, Monzo has already paid £50, which I consider fair in the circumstances, so I will not be asking Monzo to take any further action.

My final decision

I don't uphold this case against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 27 February 2026.

Farhana Akhtar
Ombudsman