

complaint

Mr J's unhappy that Monzo Bank Ltd has recorded adverse information on his credit file. He wants it removed.

background

Mr J had a repayment plan with Monzo to repay his overdraft. He missed a payment and was told by Monzo that it would be alright to lower the amount he paid. A few days later he received a message from Monzo but he couldn't access his account. He found out his account had been put in collections. Mr J says he understands why his account had to be closed but it isn't good enough for Monzo to say in its final response that it should've given him some breathing space. He says it made an error and he can't be held at fault for his account defaulting. He's unhappy a default is on his credit file and wants it removed. He says it's affecting his ability to get credit and this has caused him stress.

Monzo said in its final response that it should've applied breathing space to Mr J's account to allow its specialist team to respond to his lower repayment request. But its internal procedures automatically closed his account and recorded the default. As it did so in line with its internal procedures, it can't now amend his credit file. It's offered Mr J a £60 credit towards his arrears as an apology.

Our investigator felt this complaint should be partly upheld. He said:

- Monzo had acted in good faith and tried to support Mr J when he was in financial difficulty and became unemployed. But he isn't satisfied the default should've been applied. Mr J had contacted Monzo to explain his situation and although it closed his account in line with its terms and conditions it could've handled things better.
- Mr J was told breathing space would be applied to his account until 1 May 2019. Despite this it was closed automatically by Monzo's system and a default marker was applied. That wasn't fair.
- Monzo should therefore remove the default marker from Mr J's credit file and also give him a new affordable repayment plan. But if he doesn't keep up with the repayments Monzo should send a notice of arrears and default to warn him of action that can be taken.

Mr J accepts the investigator's view.

Monzo doesn't agree and has asked for an ombudsman review. In summary it says leaving Mr J's account open wasn't the available solution. The account closure was in line with its terms and conditions. It's already apologised for its administrative error. Applying breathing space wouldn't have helped Mr J in the long term. He he'd been over his limits for some time and hadn't paid anything into the account showing was really struggling. Applying the default meant the fees would be permanently frozen and can be the best option for a customer. It's gone above and beyond in helping Mr J, has frozen fees, given him time to set up repayment arrangements and referred him to outside organisations. Whilst its service and responses could've been better the £60 compensation it's given is enough.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

A bank has an obligation to treat customers who are experiencing financial difficulty positively and sympathetically.

I accept that Monzo has generally done so and attempted to assist Mr J. But the issue here is that when he contacted it to try to organise a reduced payment as his circumstances had worsened, he was told his account would be given a few more weeks' breathing space so that a specialist team could deal with him.

Unfortunately no breathing space given and there was no opportunity for him to communicate with the specialist team as Monzo's automatic systems almost immediately closed Mr J's account and applied the default. Although this may well have been caused, or at least contributed to, by the fact Mr J spoke to Monzo at the weekend, I think it should've kept its word and allowed a little more time to discuss and try to resolve matters.

I have no doubt that Monzo was entitled to close Mr J's account and register the default in line with its terms and conditions due to the account's conduct. I also recognise that Mr J may've been better off because of what Monzo did as account charges were frozen. It may also be that if he'd been given the promised breathing space this may well have just delayed the inevitable account closure and default. But given what he was told Monzo simply shouldn't have done so when it did.

Monzo has accepted it made an administrative error and its credited £60 compensation for this against what Mr J owes. I think that's fair. But as the default wouldn't have been entered when it was if Mr J had been given the promised breathing space, I think it's also fair for the default to be removed from his credit file.

Mr J says he's been stressed by what's happened and declined credit. But given his obvious poor financial situation and problems I can't say with any certainty that the default recorded by Monzo would be the only reason he might not have obtained credit or been stressed. And I can't fairly require Monzo to pay any additional compensation for this.

I would urge the parties to now try to agree an affordable repayment plan for what Mr J owes. And if Mr J doesn't agree one or doesn't meet any agreed payments in the future Monzo will be free to take steps to seek and record a default. That aside I don't think I can fairly or reasonably ask Monzo to do anything more, including paying Mr J any further compensation.

my final decision

I uphold this complaint. To put things right Monzo Bank Ltd should remove the default it recorded on Mr J's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 2 October 2019.

Stephen Cooper
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