

The complaint

Mr C complains that Monzo Bank Ltd allowed his current account to go overdrawn and this resulted in unfair fees and charges, and a default being applied. Mr C says that Monzo Bank Ltd then closed his account.

What happened

Mr C had booked a flight using his debit card, but subsequently cancelled the booking. The merchant refunded the amount of the flight to Mr C's account but did so before it actually debited the payment. In the meantime, Mr C used the credit on his account and when the debit was finally presented by the merchant his account became overdrawn. Monzo later closed Mr C's account and registered a default. Mr C complained to Monzo and asked that it refund the interest it had charged while the account had remained open and remove the default applied to the account. Mr C asked that Monzo re-open his account.

In its final response to the complaint Monzo said it should reasonably have defaulted the account in January 2021. Monzo said it had corrected the information it had provided to the credit reference agencies and had refunded the overdraft fees and charges it had added to the account after January 2021. Monzo accepted its error in not defaulting the account when it should have, and said its poor communication about the subsequent closure of the account as this confused Mr C. To reflect this, and several gaps Monzo identified in its service, Monzo offered to pay Mr C £150.

Mr C brought the complaint to the Financial Ombudsman Service. One of our Investigators looked into things and thought that Monzo did delay the default of the account, but that as it has put this right and refunded all the fees after the correct default date, it didn't need to do anything else in this regard. The Investigator thought that the £150 Monzo offered to pay Mr C was a fair and reasonable remedy for the confusion the letter it sent Mr C about the account closure would have caused.

Mr C asked that an Ombudsman decides the complaint.

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.

I understand that Mr C will be disappointed but for very much the same reasons provided by our Investigator I'm satisfied that although Monzo got some things wrong, it wasn't responsible for the account going overdrawn, and it took reasonable steps to correct the date the default was registered. Monzo also offered to pay Mr C £150 for the confusion it communication caused him. In the circumstances of this case, I this is a fair and reasonable resolution to Mr C's complaint and I will now explain why.

Mr C went into an unauthorised overdraft when the merchant dealing with Mr C's flight booking refunded the amount Mr C paid before submitting the debit. This is unusual, but it would have been unreasonable for Monzo not to allow the debit as it had already received

the refund. It's unfortunate that Mr C didn't realise this is what happened and used the credit balance, but this didn't happen because of an error by Monzo.

Monzo and Mr C have provided evidence of on-line chats and other correspondence that support Mr C was made aware that his account was in an unauthorised overdraft from 30 August 2019 and put him on notice that this could have an impact on his credit file. Mr C told Monzo several times that he was struggling to get together funds to repay the overdraft and Monzo allowed Mr C a number of extensions to clear the overdraft. Mr C then asked for further time but Monzo said it was unable to extend the agreement any further and warned that failure to repay could lead to a default and an account closure. Monzo asked Mr C for details of his personal circumstances so that it could consider any further support it could offer and provided links to the Money Advice Service.

When Mr C then asked for further time, Monzo explained to Mr C that if he didn't settle the balance within two months of entering into unarranged overdraft, his account will eventually be closed, and it would need to tell credit reference agencies that the account has defaulted. Monzo also explained that once the account is closed Mr C wouldn't be charged any more overdraft fees and he would receive messages about settling the outstanding balance on the closed account. Mr C explained he expected to be in a position to repay the overdraft by 5 February 2020. Monzo set this plan up but made it clear that if the overdraft wasn't paid off the account would be defaulted. Taking all of this into account, I think that up until early 2020, Monzo showed forbearance and took reasonable steps to support Mr C.

Unfortunately, shortly after February 2020, the UK went into lockdown and UK banks were provided with guidance from the Financial Conduct Authority (FCA) to support individuals by deferring any action to recover debts. Monzo continued to communicate with Mr C, but Monzo has already accepted that regardless of the Covid pandemic it should have taken further action by the end of 2020 and should reasonably have defaulted the account by 1 January 2021. I think is fair and reasonable in view of the guidance issued by the FCA and it reflects that Monzo tried to support Mr C in late 2019 and during 2020.

Monzo finally closed Mr C's account in July 2022 but has already confirmed it has since corrected the default date on the account with the credit reference agencies to 1 January 2021. Monzo has also refunded the interest and charges it applied to Mr C's account after this date. In my opinion this is a fair and reasonable remedy for this part of the complaint as I can't reasonably say Monzo shouldn't have reported the account as defaulted. Mr C had been made aware this would happen if he didn't repay the outstanding balance. I think it also takes into account the unprecedented circumstances of the Covid pandemic period.

I've noted Mr C's comments that Monzo hasn't taken into account restrictions on fixed fees and higher charges for unarranged overdrafts from April 2020. However, I'm satisfied that Monzo's fee structure changed in April 2020 and removed the daily charge it would have applied before this date.

Monzo told Mr C several times that it would close his account after 60 days. Mr C says at the time his account was closed it was still well within 60 days of an email he received saying he had 60 days to cover the negative balance. I don't think the repetition of the 60 days deadline in Monzo's updates was helpful to Mr C and is likely to have caused him some confusion. However, Monzo was entitled to close the account if the overdraft balance hadn't paid off within 60 days. In my opinion Monzo made this clear in previous communication with Mr C and I think it would be unfair for me to tell Monzo it should re-open the account. In this regard, Monzo recognised it's communication about the 60-day notification would have caused Mr C some confusion and I think the offer to pay Mr C £150 to reflect this is a fair and reasonable one in this case.

My final decision

Monzo Bank Ltd has already made an offer to pay £150 to settle the complaint and I think this offer is fair in all the circumstances.

So, my decision is that Monzo Bank Ltd should pay Mr C £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 11 December 2023.

Paul Lawton
Ombudsman