

## **The complaint**

Mr L complains Monzo Bank Ltd ("Monzo"):

- Closed his account with immediate effect and without explanation.
- Lent to him irresponsibly when increasing his credit card account limit to £4,500.
- Is unfairly holding him liable for his credit card balance as it closed his account without notice, and that it's left adverse information on his credit file which should be amended.
- Has discriminated against him.
- Asked him excessively to validate his identity by sending it selfies of him holding his ID.
- Provided poor customer service and communication in handling his complaint.

To put things right, Mr L wants Monzo to remove any missed payments from his credit file, remove any interest from what he owes, and compensate him for the distress he's been caused.

## **What happened**

The details of this complaint are well known by both parties, so I won't repeat them again here in detail. Instead, I'll focus on setting out some of the key facts and on giving my reasons for my decision.

In November 2023, Monzo closed Mr L's accounts with immediate effect. It returned the credit balance in Mr L's current account the following day to his nominated external account. Mr L had an outstanding amount on his Monzo flex account – which is effectively a credit card. Mr L had taken out two loans with Monzo previously which at this point had been repaid.

Unhappy, Mr L complained. Monzo didn't uphold Mr L's complaint. In summary, it made the following key points:

- Monzo were entitled to close Mr L's accounts in the way it did, and it did so in line with the terms and conditions. Monzo won't be providing Mr L an explanation.
- Monzo cannot agree any form of discrimination happened against Mr L.
- Monzo closing the accounts doesn't invalidate the balance Mr L owes it. Mr L can reply to Monzo's email or message it on the app to discuss making payments towards his debt.
- When speaking to Monzo over email, it does require a selfie with ID to ensure its speaking to the account holder. Monzo needs to repeat this process if some time has passed since it was previously sent.

Mr L referred his complaint to this service. One of our Investigator's looked into Mr L's complaint and asked both parties for more information. Amongst other things, Monzo said that Mr L had explained to it in January 2024 that it had lent to him irresponsibly. But this unfortunately wasn't added to his complaint. Because of this, Monzo offered Mr L £50 compensation.

Our Investigator put this offer from Monzo to Mr L. They also made the following key findings:

- Monzo didn't do anything wrong when closing Mr L's accounts in the way it did so doesn't need to pay any compensation. Monzo didn't cause an unreasonable delay in returning Mr L's funds.
- Mr L had an initial Monzo Flex account limit of £250 which was increased to £500, and then in April 2023 to £4,500. Monzo has shown that, based on the information Mr L provided, and the credit checks it carried out, this borrowing was affordable. So, Monzo didn't lend to Mr L irresponsibly.
- Monzo's offer of £50 for not acknowledging and responding to Mr L's complaint point about the irresponsible lending is fair.
- Mr L hasn't made payments since Monzo closed his accounts to debts he has. In line with the terms, Monzo is entitled to apply interest and demand payment of the whole balance. Monzo has shown it's been emailing Mr L about repaying his debts and offering support in setting up an affordable repayments plan. But it appears Mr L hasn't responded. Mr L is required to pay his Monzo Flex balance and should contact Monzo (correspondence details provided).
- Monzo has an obligation to report accurate information to credit reference agencies. So Monzo hasn't done anything wrong in reporting Mr L's late payments to the agencies in the way it has.
- Monzo was entitled to ask Mr L for a selfie of him holding his ID for security purposes.
- Mr L says he was discriminated against. But based on what the Investigator had seen, Monzo acted fairly.

Mr L didn't agree with what our Investigator said. He added that:

- He should have been given 60 days' notice by law.
- He had been borrowing from his Flex account to pay back the balance on this account.
- Monzo lent him the extra amount when he wasn't making any income.
- Monzo could see he was having benefits paid into his account.

Our Investigator explained that:

- Monzo is under no obligation to share its reasons with Mr L for closing his account.
- Based on the information Monzo assessed in Mr L's application and its checks, the increased facility of £4,500 was affordable. If it wasn't, Mr L could've asked Monzo to reduce it or chosen not to use it.
- They can see Mr L transferred money into his Monzo account from one of his external accounts, which were then paid into his Flex account. So, they didn't agree Mr L was only able to keep up repayments because he was borrowing from his Flex account to do so.

Mr L reiterated that Monzo hasn't dealt with his complaint about irresponsible lending and the poor customer he's received. Mr L also emphasised that Monzo is under a legal

obligation to share information with him about its reasons for closing his accounts. He added that he had moved funds out of his Flex account externally and then back to Monzo.

As there was no agreement, this complaint has been passed to me to decide.

I note that whilst waiting for me to decide this complaint, Mr L has said he wants me to consider that Monzo defaulted his account and registered this on his credit file after he had agreed a payment arrangement with it. He says Monzo deliberately didn't arrange it in time so he would default. As this is a new complaint, Monzo will need to look into it first.

I will now decide this complaint as defined above.

### **What I've decided – and why**

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything Mr L and Monzo have said before reaching my decision.

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

Having done so, I have decided not to uphold this complaint. I'll explain why.

### **Review and closure of accounts**

Banks in the UK, like Monzo, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means Monzo needs to restrict, or in some cases go as far as closing, customers' accounts.

Monzo has explained and provided me with supporting evidence for why it reviewed Mr L's accounts. I'm satisfied it did so in line with its obligations.

Monzo is entitled to close an account just as a customer may close an account with it. But before Monzo closes an account, it must do so in a way, which complies with the terms and conditions of the account. The terms and conditions of the account, which Monzo and Mr L had to comply with, say that it could close the accounts by giving him at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

Monzo closed Mr L's accounts with immediate notice. Having carefully considered its explanation and evidence, I'm satisfied Monzo did so in line with the terms of the accounts, and that it did so fairly. I also think Monzo returned the funds in Mr L's current account without undue delay. So Monzo doesn't need to compensate Mr L for any period he was unfairly deprived of his funds – or any distress he says the prospect of not being able to use his money caused him.

I know Mr L feels strongly about being given an explanation. But Monzo is under no obligation to do so. I would add too that our rules allow us to receive evidence in confidence.

We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information Monzo has provided is information I consider should be kept confidential.

I note Mr L has said he is able to raise a Data Subject Access Request with Monzo. That is his prerogative.

#### Repayment of debt and credit file

Monzo closing Mr L's accounts in the way it has doesn't stop his liability to pay back funds he's borrowed and has benefitted from. So, I don't think Monzo is doing anything wrong by asking Mr L to pay off his debt on demand.

Mr L has said that Monzo has failed to assist and support him with making an affordable repayment plan. Monzo has sent me information which shows it has informed Mr L to contact it about making payments against his Flex account debt. I note this has been done through different channels too. Messages to Mr L have included Monzo working with forbearance to agree a repayments plan. I haven't seen any information that shows Mr L contacted Monzo about repaying the debt and working out an affordable plan.

To the contrary, Mr L has maintained that as Monzo closed his account without two months' notice, he shouldn't be held liable for the debt.

Monzo has an obligation to report the status of its customer's accounts to credit file agencies. I have seen that Monzo has applied late payment markers to Mr L's records, and that this has adversely impacted his score.

But as I'm satisfied Monzo is fairly holding Mr L liable to repay his debt, and that it has acted in line with what its expected do with its collections and recovery procedures, I won't be asking it to amend anything it's reported to the credit reference agencies.

#### Irresponsible lending

All lenders are required to ensure they don't lend irresponsibly. Mr L says that when Monzo increased his Flex credit limit from £500 to £4,500, it did so irresponsibly as he wasn't able to afford the repayments. He adds that to make repayments he was effectively recycling money from his Flex account back into it – and this is something Monzo should have picked up on.

Monzo has sent me the credit agreement for when the increase to a limit of £4,500 was agreed by Mr L and it. Both have signed it digitally. I note it sets out, amongst other things, Mr L's new credit limit of £4,500, applicable interest rate, example of costs, and the requirement to make at least minimum monthly payments.

Monzo has also sent me details of its lending review and assessment for every time it lent to Mr L, including when it increased his Flex limit to £4,500. Here Monzo has details of Mr L's employment status, annual income, credit score, net monthly income, estimated monthly spend, housing expenditure, and other debt obligations. Monzo then make provision for an affordability buffer before calculating Mr L's payment affordability.

This information would be based on what Mr L told Monzo in good faith and I note it is largely consistent with what he would have told them when increasing the limit to £500 a month earlier.

Monzo is obliged to ensure that it completed reasonable and proportionate checks that Mr L

could repay any credit borrowed in a sustainable way. Based on the information Monzo had from Mr L, I'm satisfied it has carried out both reasonable and proportionate checks. I haven't seen anything presented to me from either party which should have made Monzo reasonably realise increasing the limit was unsustainable or otherwise harmful for it not to do.

In finding Monzo acted fairly here, I can see that Mr L's disposable income after a buffer was applied, would have been enough to repay the full balance if it reached £4,500 within three months. As I've said, this information would be based on what Mr L told Monzo in good faith.

Mr L says that he was recycling funds from his Flex account through his other accounts to make repayments. But I haven't seen that was the case here given funds are coming from an external account. Nor would I expect Monzo to have known this may be the case given it can't see the path of the funds. If Mr L later fell into financial difficulty as he says his earning decreased, he should have contacted Monzo to discuss the repayment of any outstanding balance.

So, in summary, I'm not satisfied that Monzo were irresponsible when lending Mr L money including when it increased his Flex account limit. Mr L was also in control of how much he borrowed, and I've seen technical data from Monzo which shows he actively applied for the £4,500 increase.

#### Discrimination

Mr L says Monzo discriminated against him. He hasn't explained exactly how Monzo have done this and on what basis. Our Investigator did ask him for more information about this. I note he has explained that he does have a disability. So, to ensure I am considering all possibilities based on what information I do have, I will take this into account.

I want to make clear I do not doubt how genuinely Mr L feels about this matter and the upset Monzo's actions have caused him. While I appreciate this is Mr L's perspective, it is not my role to decide whether discrimination has taken place as a matter of law – only the courts have the power to decide this. I have, however, considered the relevant law in relation to what Mr L has said when deciding what I think is the fair and reasonable outcome.

Part of this has meant considering the provisions of The Equality Act 2010. But after doing so, I've not seen evidence to indicate Mr L was treated unfairly.

#### Selfie security process

As a regulated financial business, Monzo has certain obligations it must follow in identifying its customers before divulging any personal information. Broadly speaking this protects both Monzo and its customers from suffering any harm.

Monzo has explained that through certain channels of communication it required Mr L to send in a selfie with him holding his ID. And that given the passage of time since he may have done this before, it would need him to do it again before corresponding or speaking with him.

I'm satisfied Monzo asked Mr L to do so based on its obligations. I also haven't seen any compelling evidence that Monzo acted unfairly or unreasonably in doing so.

#### Complaint handling and poor customer service

Monzo has offered Mr L £50 compensation for not acknowledging nor responding to his complaint point about irresponsible lending. It doesn't need to do anymore.

Mr L has also complained about receiving poor customer service from Monzo. But even if I were to find that its standards dropped below what I would reasonably expect, I don't think awarding Mr L compensation would be fair or appropriate. I understand Mr L would want to know the information I have weighed to reach this finding. But I am treating this information in confidence, which is a power afforded to me under the Dispute Resolution Rules (DISP), which form part of the Financial Conduct Authority's regulatory handbook.

### **My final decision**

For the reasons above, I have decided not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 21 March 2025.

Ketan Nagla  
**Ombudsman**