

The complaint

Mr A complains that Monzo Bank Ltd treated him unfairly by defaulting his current account.

What happened

On 1 October 2023, Monzo emailed Mr A to say it had decided to close his current account on 2 December 2023.

On 28 November 2023, Monzo sent Mr A a message saying he had missed his latest Monzo Flex payment of £371.95. Monzo said if it couldn't take Mr A's minimum repayment of £259.20 by 5 December 2023, it would report the missed payment to the credit reference agencies.

On 2 December 2023, Monzo told Mr A it was closing his account and once his balance was £0, it would finish closing the account. At the time, Mr A's account was £206.38 overdrawn, and he had a number of repayments on his Flex account outstanding.

On 30 January 2024, Monzo emailed Mr A. It said his closed account was still overdrawn and it would soon report it as in default unless Mr A got in touch and agreed a repayment plan by 29 February 2024.

On 3 February 2024, Monzo told Mr A he could no longer access the app to make payments to his account. Monzo said it could look at setting a plan and provide an alternative way of making repayments. Monzo asked Mr A whether he'd like it to investigate putting a repayment plan in place and asked him for details about his income and expenditure. Mr A responded on 4 February 2024 to say he had perfect credit and asked Monzo to just tell him how to start paying the balance and he would make the payments.

Monzo responded on 13 February 2024 – it said it had a responsibility to make sure any payment is affordable for Mr A and asked questions about his financial circumstances. Monzo said it would provide the details about how to pay once it had agreed a repayment plan. Monzo then listed out the monthly repayments due, and the dates they were due, for Mr A's Flex account from 28 February 2024 until 28 November 2025.

Monzo says it texted and emailed Mr A on 27 February 2024 to remind him his current account would default if he did not contact it. Monzo sent Mr A a message on 28 February 2024 to say he had missed another minimum Flex repayment. Mr A's account then defaulted on 1 March 2024 and Monzo emailed him on 1 March 2024. It said it had defaulted his current account and provided the account details to make a payment.

On 25 March 2024, Mr A told Monzo he was being texted a lot. He answered the questions asked in Monzo's emails of 13 February 2024. Mr A asked if he could pay £100 a month without interest being charged to clear his debt. Monzo responded the next day, saying it would have sent Mr A details about its suspense account on 30 December 2024 and 9.25 am. Monzo said it could look to send Mr A the details again once a repayment plan was set up. Monzo asked Mr A to complete a form with details of his income and expenditure. Monzo

told Mr A his current account was defaulted on 1 March 2024 and the outstanding balance owed to Monzo was £206.38. Mr A's Flex account was in arrears by £310.58 since 28 January 2024, and the total outstanding balance if paid now was £1,0411.25.

On 29 April 2024, Mr A said he was disgusted to see his credit score had been impacted and Monzo would be removing the non-payments from his credit score. Mr A asked for the sort code and account number to make payments. Monzo responded the same day asking Mr A to complete the same budget assessment it had sent him on 26 March 2024.

On 30 April 2024, Mr A asked Monzo to remove the default and said he wanted to make a full payment of what he owed. Monzo responded on 1 May 2024 to say Mr A's current account had defaulted as it had not received a payment for 120 days, in line with the account's terms and conditions. Monzo said Mr A's Flex account would default if he missed two or more payments. Mr A again asked for the account details, which Monzo provided on 2 May 2024. Monzo confirmed the outstanding balance owed to it on 6 May 2024 – Mr A paid the outstanding balance owed on the current account and £587.99 towards the Flex account the same day. On 10 May 2024, Monzo said it would report the default on Mr A's account as satisfied and asked Mr A if he would be able to keep up with his scheduled Flex payments.

On 21 May 2024, Monzo issued its final response to Mr A. Monzo said Mr A's account was closed on 30 December 2023. Mr A would have been sent an automated email with details about how to clear his overdraft and make any scheduled repayments to his Flex account. After Mr A got in touch about repaying his overdraft and Flex balance, Monzo had asked Mr A questions about his current financial situation to make sure it offered him the right support, and it had been unable to offer Mr A a plan to pay off his overdraft and flex account because he didn't answer its questions.

Unhappy with this response, Mr A referred his complaint to our service. Mr A said he didn't have access to the Monzo app, his account number or sort code until 2 May 2024. Mr A said if he'd had the account number and sort code when he'd asked for a way to pay on 11 February 2024, his account would not have defaulted. Mr A later said he had a problem making a payment to his Flex account on in June 2024.

One of our Investigators reviewed Mr A's complaint but didn't uphold it. Our Investigator said Mr A had nearly three months to repay his overdraft before his account closed and Monzo had provided him with the account details to pay when it closed his account. Our Investigator said Monzo sent Mr A a default notice on 30 January 2024, and the reporting of the default wasn't unreasonable.

Mr A asked an Ombudsman to review his complaint. Mr A said he'd asked Monzo for the suspense account details on many occasions, and stressed Monzo has not provide a copy of its email of 30 December 2023. Mr A said he was very unwell between 15 February and 24 March 2024, and was not looking at emails or working. So, this has come to me for a 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.

I've reviewed the terms and conditions of Mr A's account, which say it may close the account by giving at least two months' notice. Here, I am satisfied Monzo gave the required notice and was entitled to close Mr A's account.

Monzo says it sent Mr A an email when his account closed with details of the suspense account he should pay. But Monzo can't provide a copy of the automated email sent, but it has provided a screenshot of an email which shows it sent an email with the description "account closure with active borrowing notification including suspense payment details". But I don't think I need to make a finding on whether Monzo sent the suspense account details on 30 December 2023, as I don't think this changes the outcome here.

On 30 January 2024, Monzo emailed Mr A. It said his closed account was still overdrawn and it would soon report it as in default unless Mr A got in touch by 29 February 2024 and made a plan to repay what he owed. I know Mr A had asked for details of the suspense account. But on 13 February 2024, Monzo said it had a responsibility to ensure any payment Mr A made was affordable. I don't think this was unreasonable given the outstanding balance owed. So even if Mr A didn't want to provide details of his income and expenditure, he knew this was required and he knew Monzo required payment by 28 February 2024 to avoid a default. Monzo also sent Mr A details of all the payments due on his Flex account, including the repayment due on 28 February 2024.

Mr A says he was unwell and not checking emails or working between 15 February and 24 March 2024. But Mr A was aware Monzo had told him his account would default if he didn't get in touch and agree a repayment plan, and I think it would have been reasonable for Mr A to let Monzo know he was unwell and could not engage with them at the time. As Monzo had not heard anything from Mr A since 11 February 2024, I don't think it was unreasonable that it went on to default his current account on 1 March 2024.

Mr A said if Monzo had provided the account details he needed to pay, he would have paid off the outstanding balance to protect his credit file. But Mr A was notified his account would be closed in October 2023 and he did not repay the overdraft before the account closed. I note Mr A also missed his Flex payment due in November 2024, when he still had access to the app. And when Mr A contacted Monzo on 25 March 2024, he asked to make a partial repayment of £100 per month without paying interest – this is less than the scheduled Flex payments for February to July 2024. Mr A said he didn't know how much he owed but I think Monzo had set this out on 4 February 2024. So, overall, I don't think the evidence shows Mr A would have paid off the outstanding balance owed on the current account in full if Monzo failed to provide details of the suspense account before the account defaulted on 1 March 2024.

The guidance provided by the Information Commissioner's Office (ICO) says that the reporting of arrears can be based on the months of continual unauthorised excess over the agreed overdraft. The guidance goes on to say an account may be defaulted once three to six months of arrears have occurred. Here, Mr A's account was closed on 2 December 2023, so his overdraft became payable at that point. So, Monzo would have been entitled to default Mr A's account from 2 March 2023 onwards. Here, Monzo defaulted Mr A's account one day earlier, but I don't think that makes a difference here. Monzo had explained clearly it needed to agree a repayment plan with Mr A and he didn't get back in touch, so I think it was reasonable for Monzo to default the account on 1 March 2024.

I acknowledge Mr A says he had perfect credit before his account defaulted. But as I think Monzo was entitled to record any missed repayments and the default, I cannot do as Mr A asks and order Monzo to remove the default from his credit file.

Mr A has mentioned issues he had in making payments that go beyond Monzo's final response of 11 May 2024, so I am not able to comment on this further. If Mr A has not already done so, he may raise these issues with Monzo directly.

My final decision

I acknowledge my decision will disappoint Mr A. But for the reasons explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 15 January 2025.

Victoria Blackwood
Ombudsman