

The complaint

Miss H complains Monzo Bank Ltd closed her account and reported a default without giving her notice. She further complains Monzo did not provide information about the Zero Affordability Plan (ZAP) Monzo placed her on.

What happened

Miss H explained she sadly had a period of ill health throughout 2022 and 2023 and was not able to work regularly. She explains during a 14-month period she reached the limit of her Monzo overdraft.

Miss H described contacting Monzo and it agreeing not to charge her interest on her £500 overdraft. She explained Monzo agreed to review her budget every few months and said her experience with Monzo was good during this period.

Miss H said she then received a notification through her Monzo app in June or July 2023 explaining she needed to pay back her overdraft in full and needed to do so by 31 August. Miss H described putting in place plans to accumulate the funds in time to pay off the overdraft by 31 August. Miss H explained to our service she struggles to make gradual payments towards debts, especially if she can spend the paid-back money, so chose to pay the overdraft back in full once she had the funds saved. She said she was due to be paid on 28 August and would have had all the money to pay back the overdraft after this.

Miss H said she then received an email from Monzo on 23 August explaining her account had been closed and a default reported. Miss H has described the severe affect this news had on her that day and has continued to have since. Miss H contacted Monzo and raised a complaint. Miss H said it took Monzo nearly nine weeks to respond to her complaint.

Miss H has said she would like Monzo to withdraw the default record from her credit file and compensate her for the distress and inconvenience it caused her.

Monzo has provided evidence from its systems for the period in question. The chat history shows in June 2022 Miss H contacted Monzo and explained she had had to leave her training course due to health reasons. Miss H detailed her current financial situation explaining she hoped to be in full time employment soon.

Monzo asked Miss H to undertake a budget assessment (BA) and applied '*breathing space*' to her overdraft until mid-July, explaining this would freeze interest and restrict contact from Monzo. Miss H completed the budget assessment which showed she had a budget deficit each month. Monzo asked some further questions, which Miss H answered. Monzo offered an arrangement to freeze any charges until mid-September. Monzo mentioned this arrangement would be reported to credit reference agencies as being in an '*arrangement*', it also explained it '*won't stop or delay*' the account going into default.

Monzo said it would regularly reach out to see whether Miss H's situation had changed stating '*It's important you respond to these messages. It's fine to tell us that nothing's changed, but you need to respond to stay on this plan.*' Monzo asked Miss H to confirm she understood what had been said, which she did.

Monzo then confirmed it has set up an '*arrangement*' on Miss H's overdraft. It explained the overdraft was still repayable '*on demand*' and it could remove or reduce the overdraft

immediately and ask Miss H to repay within 30 days. Monzo also signposted Miss H to a third party debt advice service.

In July and August Monzo contacted Miss H to check-in. Monzo explained Miss H didn't need to respond to the messages if nothing had changed and it appears she chose not to respond.

Miss H undertook a further BA in September. Miss H explained she had now started a new job, Monzo asked some further questions about the budget, which Miss H answered.

A month later in October, Miss H completed another BA. This showed a deficit, Monzo thought the ZAP Miss H had in place was still appropriate and left it in place. Monzo checked in with Miss H again a month later, again explaining Miss H didn't need to contact it if nothing had changed.

Miss H completed another BA in early January 2024. The budget again showed a deficit, so Monzo agreed to leave the current arrangement in place for another three months. Monzo checked in again in Feb, Miss H didn't respond.

Towards the end of March 2023 Miss H completed another BA. Monzo again asked questions about this BA throughout early April. Monzo contacted Miss H in mid-April explaining Miss H was showing as having a surplus and asked whether Miss H would be able to set up a payment plan. Monzo also asked about her new job.

Monzo said Miss H didn't respond to these messages or make further contact, so it sent her an email in mid-May. The email explained it had been a '*long time*' since Miss H had said she needed help, and it was now ending the arrangement. They explained once the arrangement ended Miss H would owe the outstanding balance and would have 60 days to pay it off in full. The email ended with Monzo offering support and asking Miss H to reply as it might be able to agree a repayment plan over a period of time. It also signposted to charities which might be able to assist Miss H.

Monzo said it wrote again to Miss H a month later in June 2023 having not had a reply. It asked Miss H to repay her overdraft and again offered to help and signposted to charities. It explained it would have to report Miss H as '*defaulted*' and this would affect her credit score. Monzo said it also sent an SMS text to Miss H at the same time.

On 23 August Monzo closed Miss H's account and reported the default.

Monzo confirmed Miss H contacted it on 23 August after the account had been closed and confirmed Miss H told it she was due to be paid on 28 August. Monzo said as it had already closed her account, it was unable to set up a payment plan or overturn the decision.

Monzo wrote a final response to Miss H in October 2023. It explained Miss H had been on a ZAP which required a review every three months. Monzo said it attempted to arrange a review through messages in February 2023 and March 2023, but Miss H did not respond to these messages. Monzo did apologise for the length of time Miss H had to wait for a response. Monzo said Miss H was aware of the details of the plan and it therefore wasn't able to uphold her complaint.

Miss H has explained she disputes she was made aware of the impact of the ZAP she was placed on. Miss H said she thought she just had to do a budget plan and review her circumstances every few months. She also disputed the date Monzo told her she needed to pay the overdraft off by.

Our investigator didn't think Monzo had done anything wrong. They explained they were satisfied Monzo sufficiently informed Miss H about the ZAP and what she needed to do before her account was closed. They thought she could have engaged with Monzo if she was uncertain about any aspect of the plan or deadlines.

As Miss H disagreed with our investigator's recommendation, her complaint has been passed to me to make 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.

I was sorry to hear of the difficulties Miss H has had over the past few years. I can see this has been a difficult time for her.

The issues for me to determine are firstly, whether Monzo were clear about Miss H's commitments regarding the ZAP and told her in sufficient detail what she needed to do. Miss H disputes she knew about the responsibilities she had regarding the ZAP as she was not told about it, explaining all she knew was she had to do a budget plan every few months.

Secondly, I will consider whether Monzo acted fairly and reasonably when closing Miss H's account and applying a default against her.

I appreciate how strongly Miss H feels about her complaint. Although I may not mention every point raised, I have considered everything but limited my findings to the areas which impact the outcome of the case. No discourtesy is intended by this, it just reflects the informal nature of our service.

Monzo has provided our service with evidence it explained the arrangement in June 2022 to Miss H. There is evidence within the chat messages Miss H replied '*I understand*' to the various conditions, one of which was '*It's important to respond to these messages*', and '*you need to respond to stay on the plan*'. Monzo went on to explain it could remove this arrangement at any time and ask for payment within 30 days and signposted debt advice services during this conversation.

I am therefore satisfied Monzo were clear about what Miss H needed to do to make sure the plan remained in place at this time, and the consequences should she not. Essentially, whilst Monzo were happy to maintain the debt, part of the agreement was it required Miss H to remain in contact with it and tell it about changes to her circumstances.

This appears to have worked well for both parties throughout the rest of 2022. Miss H completed BA's regularly and I can see Miss H complied with the requirements and engaged with further questions as and when required to by Monzo.

The issues appear to have begun after the budget assessment in March 2023. Miss H completed the assessment and Monzo asked some additional questions. Miss H responded stating the figures were correct, Monzo asked if Miss H wanted a call to discuss which I understand she did not agree to.

Monzo explained there now appeared to be a surplus following this most recent BA. Miss H was still on the ZAP, so Monzo asked whether Miss H would be looking to set up a repayment plan. Monzo also asked about her new job and whether this meant she might now be able to repay.

The evidence I have seen is Miss H did not respond to these further questions and there does not appear to have been any further contact with Monzo until 23 August when it notified Miss H it had closed her account.

I have considered Miss H's response to our investigator's recommendation. Miss H explained she received further text messages in mid-May and mid-June, corroborating Monzo's evidence it sent such correspondence regarding the immanent closure of her account. Miss H has not said she responded to these, and there is no evidence on the chat she contacted Monzo via the app during this period.

To summarise, I am satisfied Monzo explained what Miss H needed to do when she set up the arrangement in June 2022. In March 2023, Miss H completed her last BA which showed a surplus. Monzo asked Miss H about this and whether this meant she could start paying back the debt. The evidence I have seen suggests Miss H did not respond to these

questions or the subsequent messages she received, the next contact was in late August when she received notification her account had been closed.

I am therefore satisfied Miss H did not comply with the agreement during this period. I am also satisfied Monzo was clear when it set the agreement up, Miss H needed to keep in touch and provide regular updates about her situation. She didn't contact or respond to Monzo throughout this period, even though she needed to to keep the agreement in place. Furthermore, I have not seen any evidence the 31 August was discussed or agreed.

For these reasons, I am not persuaded Monzo acted unfairly or unreasonably in the circumstances, and I do not uphold this complaint.

I appreciate Miss H has explained she has some vulnerabilities, I was sorry to read about the poor health she has suffered. I would assure Miss H I have been mindful of the medical evidence she has submitted throughout my consideration of her complaint.

However, I haven't seen any evidence she told Monzo about these issues in any detail. I do recognise she explained she had left her course for '*health reasons*' at the beginning of the arrangement in 2022, but she did not elaborate on what the effect of her circumstances may have been, explaining she would be back in work soon. It is therefore difficult to see how Monzo could have considered these issues in detail at the time. I can also see Miss H started a new job in early March 2023 and was still working in August 2023 during when the issues occurred, suggesting her circumstances had thankfully improved during this period.

I appreciate Miss H will be unhappy with my decision, but I trust I have explained in sufficient detail why I do not think Monzo acted unfairly or unreasonably in the circumstances.

My final decision

For the reasons I have given, my final decision is I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 6 March 2025.

Gareth Jones
Ombudsman