

The complaint

Miss E complains Monzo Bank Ltd unfairly closed her accounts and recorded a default on her credit file.

What happened

The facts of the complaint are well known to both parties, so I will only provide a summary of the key points.

Miss E held two accounts with Monzo which were opened in November 2020 – a current account and a flex account. Ms E had an overdraft on her current account and was in touch with Monzo from early 2023 regarding the difficulties she was having repaying the balance on her flex account.

In July 2023 she raised concerns with Monzo about activity on her account which Miss E says was fraudulent. Monzo reviewed this claim and on 28 August 2023 it informed Miss E it would be closing her account. It explained she had just over 60 days to make alternative arrangements and the account would close on 24 October 2023.

Miss E used an account switch service to a new provider given the notice to close. Miss E still had amounts due under her flex account and current account overdraft at the point of closure. Miss E had set up a repayment plan for her flex account prior to closure, but an agreement for the overdraft balance had not been reached. Miss E agreed to a repayment plan based on her income and expenditure review. As it would take Miss E longer than 12 months to clear the overdraft balance Monzo explained that it would need to apply a default to Miss E's credit file. A default was applied to Miss E's credit file for the overdraft on 2 January 2024. Monzo has said no default has been applied to the flex account.

Miss E raised a complaint about the closure of her account and Monzo's handling of her outstanding debt. Miss E said she hadn't been treated fairly as the sudden closure left her in a difficult financial position. In particular Miss E said the communication with her regarding the repayment arrangements wasn't clear and emails weren't replied to.

Monzo reviewed Miss E's concerns and found that it had closed Miss E's accounts in line with the terms of the accounts and it didn't have to give the specific reasons for this decision. Monzo explained that it did take some time to establish a repayment plan for both the flex account and overdraft, but this was because it wanted to have a clear and accurate picture of Miss E's financial situation. Monzo did accept there were some delays in getting back to Miss E's messages and this was due to increased customer demand. Monzo offered to pay Miss E £25 in recognition of this shortcoming.

Miss E remained unhappy and referred her complaint to this service. An Investigator reviewed the complaint and in summary, made the following findings:

- Monzo's reasons for closing the account are fair and no error has been made.
- The account was closed in line with the relevant terms and conditions.
- There was a great deal of contact between Miss E and Monzo regarding her

outstanding debts – but Monzo acted fairly as it was trying to provide the right support to manage the debt.

- The default recorded against Miss E was accurate as Miss E had entered into repayment plan and missed some repayments.

Miss E disagreed with the Investigator's review and maintained Monzo had treated her unfairly.

As no agreement could be reached, the complaint was referred to an ombudsman for 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.

Firstly, I am sorry to see Miss E has had cause for complaint. I can see from the evidence provided that the outstanding debt with Monzo has been a source of stress for Miss E and she has experienced personal difficulties. I don't underestimate the concern this situation has caused, and also the worry of dealing with the complaint about it. Having looked at the complaint fully, my review of the evidence has led me to the same overall conclusions as the Investigator previously set out and for much the same reasons. I will explain why.

Closure of Miss E's accounts

It's generally for banks to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Unless there's a very good reason to do so, this service won't usually say that a bank must keep a customer or require it to compensate a customer who has had their account closed. At times, following a review, banks sometimes choose to end their relationship with customers. This can be due to a number of reasons and a bank isn't obliged to give a reason to the customer. Just the same as if Miss E decided to stop banking with Monzo, she wouldn't have to explain why.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from regulated businesses' 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 we consider should be kept confidential. Having carefully considered this information, I'm satisfied Monzo acted appropriately in closing Miss E's account.

Banks should, however, give reasonable notice before closing an account. Usually that means 60 days' notice, but it can be less depending on the circumstances. I can see that Monzo informed Miss E of the closure and gave her just over 60 days' notice. So, I'm satisfied Monzo closed the accounts in line with the relevant terms. The notice period provided Miss E with adequate time to open another bank account, and I can see Miss E used the account switch service once she found another provider.

Although I understand Miss E's frustration with this decision, based on the evidence I've seen I can't see that Monzo has acted unfairly in exercising its discretion and ending its banking relationship with Miss E.

Flex Account and Overdraft

Miss E got in touch with Monzo in January 2023 to explain that she was having difficulty repaying the balance on her flex account. Once a lender is told, or it realises, that a borrower

is experiencing financial difficulties we would expect it to exercise forbearance and due consideration, in line with its regulatory obligations. In simple terms this means Monzo should treat Miss E fairly and give her appropriate support.

Miss E feels Monzo hasn't supported her with her financial struggles. In particular the closure of her current account and the requirement for the overdraft to be cleared added significant financial strain to her already delicate financial situation.

With regards to Miss E's flex account, I can see from Miss E's chat history with Monzo that there were lengthy discussions prior to the account closure about how Miss E could repay this debt. Monzo froze all charges and interest on the account when it became aware of Miss E's financial difficulties, which is exactly the type of support I would expect it to offer in these circumstances. Following this there were multiple exchanges between Miss E and Monzo, focused on Miss E's ability to repay the debt and what would be an appropriate repayment plan. Monzo accepts there were some instances where responses were delayed – and I agree there were times where a prompter response would've helped move matters forward. Monzo offered to pay Miss E £25 in recognition of this service issue – and I think this amount fairly reflects the impact on Miss E.

I now turn to Miss E's overdraft. Overdrafts are a credit facility which are repayable on demand. In Miss E's case as her current account closed, Monzo says it expected the overdraft to be cleared within 30 days. However, as Miss E had highlighted that she was experiencing financial difficulties Miss E went through a similar process as she did with her flex account so that a clear repayment plan could be established. I think this was fair as Monzo was entitled to explore all available options to support Miss E. I'd expect them to obtain an understanding of Miss E's individual financial circumstances to decide how best to help her.

In order to assess Miss E's situation, Monzo asked again for details of her income and expenditure. But I don't think this was unreasonable given Monzo needed to check if a repayment plan was an option – in fact I think it was necessary to ensure any payment plan would be realistic, affordable, and sustainable.

Miss E agreed to a repayment plan, but as the repayment amount meant the plan would be in place for over year, Monzo explained that this would need to be reported on Miss E's credit file. Miss E says the application of the default is unfair and has a significant impact on her. I appreciate the application of a default will affect Miss E – but Monzo is obliged to provide accurate information to credit reference agencies and although Miss E had been working with Monzo and established a repayment plan, Miss E was still unable to meet the contractual terms of the overdraft. Ultimately when an account is in arrears a lender can register a default, even if an arrangement to pay or some other temporary arrangement has been agreed. So given its regulatory reporting duties I think Monzo has acted reasonably in recording a default and I don't think it would be fair to ask it to remove this.

I've also considered how Monzo explained the impact the repayment plan would have on Miss E to her. Looking at the correspondence I'm satisfied Monzo was clear and direct about the implications of entering a repayment plan. I can also see that it provided Miss E with breathing space when appropriate and sign posted her to debt support agencies. I don't doubt Miss E found the volume of correspondence overwhelming, but given the impact of a repayment plan and default I think it was important for Monzo to be clear about the repercussions for Miss E.

As part of this service's review clarification was sought regarding Miss E's flex account. Based on the information I've seen it appears Miss E couldn't make repayment to her flex account in line with the repayment plan. It seems a revised plan was put in place for January

2024. In any event, Monzo has explained it hasn't recorded adverse information about the flex account on Miss E's credit file.

In summary, I recognise how strongly Miss E feels about what's happened, and I don't doubt it was a frustrating and upsetting time. So, I realise she will be disappointed by my decision. But overall, based on the evidence I've seen, I can't say Monzo has acted unreasonably and treated Miss E unfairly when it closed her account and asked her to repay her outstanding debts. So, I won't be asking Monzo to do anything further.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 16 January 2025.

Chandni Green
Ombudsman