

The complaint

Ms W has complained that Monzo Bank Ltd (“Monzo”) refused to allow her to make an early withdrawal from a fixed term Savings Pot.

What happened

Ms W opened a fixed term Savings Pot on 1 November 2023. The terms of the Savings Pot meant that Ms W was unable to access the funds in the savings pot until 4 November 2024. However, Ms W contacted Monzo on 2 January 2024 to ask to withdraw money from the Savings Pot.

Monzo considered Ms W’s request but said that the provider of the Savings Pot – a third party - would be within their rights to refuse requests to withdraw funds early from this sort of account. Monzo said that Ms W hadn’t provided evidence to support that there had been exceptional circumstances in the way it would need to see, to allow Ms W to make an early withdrawal. Unhappy with this, Ms W complained to Monzo. Ms W went on to make a number of further early withdrawal requests.

As Monzo had not issued its final response to the complaint, Ms W referred her complaint to this service. After she did that, Monzo issued its final response on 28 February 2024 and didn’t uphold the complaint.

During our investigation of the complaint, Monzo agreed to allow the early withdrawal of the fixed term Savings Pot for Ms W on or around the 10 May 2024.

One of our investigators concluded that, although Ms W’s circumstances were clearly very difficult, they did not meet the threshold for Monzo to allow an early withdrawal. However, as Monzo did eventually allow Ms W to make an early withdrawal, the investigator concluded that Monzo should’ve done that sooner and so recommended that Monzo pay Ms W £500 compensation.

Monzo didn’t agree with the investigator’s assessment, so the matter was referred for an ombudsman’s decision.

I issued a provisional decision on 25 October 2024, explaining why I was minded to not uphold the complaint. I have included an extract of my provisional decision below and it forms a part of this decision.

“What I’ve provisionally 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.

Having reviewed everything, I'm currently minded to not uphold this complaint. I will explain why.

Firstly, in terms of Ms W being unable to withdraw money from a fixed term savings pot, I'm satisfied that the terms of such a product means that money can't be withdrawn from it until it matures. In this case, Ms W put money into a fixed term pot on 1 November 2023, which meant she was unable to access that money until 4 November 2024.

I can see that Ms W had previously held a fixed term Savings Pot. And Monzo has explained that it is made clear during the application process (a number of times) that money can't be accessed from a fixed term pot until it matures. So overall, I'm satisfied that when Ms W agreed to take out the product, she was fully aware that any money she put into the pot would be locked in and inaccessible until it matures, and in return she'd earn a better interest rate on her money than if it was held in an instant access Savings Pot.

So, while I can see that Ms W was unhappy that Monzo declined her applications to prematurely withdraw money from the fixed term pot, I can't say that Monzo was being unfair or unreasonable. After all it was acting in accordance with the terms and conditions of the account that Ms W had agreed to and was clearly aware of when she took out the account.

But the terms of this product do allow customers to withdraw money early, but only in the event of 'exceptional circumstances'. As such, when Ms W asked to access her money early, Monzo was required to assess whether Ms W's circumstances qualified for this.

I can see that on an earlier fixed term Savings Pot, Ms W made multiple attempts in October 2023 to make an early withdrawal - due to damage being caused to her car. After submitting evidence of her circumstances, it was eventually agreed that she could do so on 31 October 2023.

So it seems that, having just been allowed to make an early withdrawal on 31 October 2023 due to exceptional circumstances, Ms W then tied up a large portion of that money again by taking out another fixed term Savings Pot on the following day.

I'm sorry to hear about Ms W's subsequent financial difficulties. I can see she experienced great distress due to having to pay for bills before she was paid – at a time when her account was already overdrawn by a fair margin. But I can't reasonably hold Monzo responsible for the distress she experienced. I say this because, Ms W's distress was essentially caused by Ms W tying up too much money in a fixed term product and not leaving enough money in an instant access account, to cover any expected and unexpected expenses over the following 12 months.

Turning now to the early withdrawal requests, Monzo has explained that an early withdrawal can only be granted if there is evidence of "extreme financial hardship or unforeseen circumstances".

However, looking at the requests that Ms W made, it seems that many of the reasons why Ms W needed to access the money in the fixed term pot were reasonably foreseeable before 1 November 2023.

For example, Ms W initially said that she needed access to the money in the fixed term pot as she unexpectedly needed to contribute towards an insurance claim relating to a fire that had happened in her kitchen. But Ms W has provided evidence (an email to the insurer) to show that she was aware in August 2023 that she may have to pay this money.

Ms W also said that she needed to access the money in the fixed term pot as she, sadly, had to pay for her mother's headstone that had been paid for by a friend and she needed to repay her friend. But again, the receipt Ms W has provided was for a payment made on 4 January 2022 – so the debt she owed her friend was clearly outstanding well before she took out the fixed term Savings Pot in November 2023.

I also note another reason why Ms W said she needed to access the money was because she said she was in arrears with paying council tax. But Ms W has provided evidence (a letter dated 2 September 2023) that indicates she was aware of this before November 2023.

So overall, whilst I sympathise with Ms W's clearly very difficult circumstances, I also can't say that Monzo was being unreasonable in deciding to decline the early withdrawal requests.

Most of the reasons Ms W gave for her to access the money in the fixed term pot early were known to her, or at least reasonably foreseeable that she'd need to pay them, before she opened the fixed term pot.

To provide context about what 'unforeseen circumstances or extreme financial hardship' could look like, Monzo has provided examples of what would amount to an exceptional circumstance. These include bereavement, terminal illness or insolvency.

Looking at Ms W's circumstances, I can see that her financial difficulties were getting increasingly worse – for example I note that she later went on to use a foodbank. So I think it was fair that Monzo did eventually agree to process the early withdrawal from the fixed rate pot. But, at the same time, I can't see that Ms W was entering bankruptcy or entering into an IVA, and it seemed that she was already using the services of a debt management plan, to manage the repayments on existing debts. So I can't say that Ms W had actually met any of the criteria above.

Turning now to the redress that the investigator recommended, I note that, in their assessment, the investigator concluded that Monzo was acting fairly by not accepting Ms W's early withdrawal requests. But they then concluded that Monzo was being unreasonable in not agreeing to the early withdrawal sooner, if this was something that it had discretion over. She therefore recommended that Monzo pay Ms W £500 compensation.

However, I don't think it can reasonably be argued that Monzo was within its rights to decline Ms W's early withdrawal requests, but then say that Monzo should pay compensation because it could've used its discretion in allowing the early withdrawal

to be processed sooner. For the reasons outlined above, I can see why Monzo didn't agree to Ms W's first few early withdrawal requests. And it was only when it'd become clear that Ms W's financial difficulties were not improving after a few months, did Monzo then agree to allow the early withdrawal to be made. So the time that passed seems to have been an important factor in Monzo's decision to exercise its discretion and allow Ms W to access the funds early.

Ultimately, that decision seems to be a concession it has made fairly and reasonably in the circumstances – it's not one I think it should have made sooner than it did.

So taking everything into account, it's clear that Ms W was aware that by taking out a fixed term Savings Pot, this meant she'd not be able to access the money she put in it. And I can't reasonably hold Monzo responsible essentially because she'd not kept enough money aside to cover her expected costs, as well as any unexpected expenses that may arise over the lifetime of the fixed term Savings Pot.

Monzo has explained that it can only allow an early withdrawal to be made in the event of exceptional circumstances, with this essentially being extreme financial hardship or unforeseen events. And so, whilst I can't say that it was being unreasonable in not accepting Ms W's initial requests to make an early withdrawal, I do think it was fair that it eventually agreed to do so, given the increasingly desperate circumstances that Ms W found herself in.

As such, I'm currently minded to say that Monzo need not do anything else (beyond what it has already done) in relation to this complaint and so I don't think it needs to pay any further compensation in the way our investigator has suggested."

After I issued my provisional decision, Monzo didn't respond. Ms W responded and didn't agree with the provisional decision. In summary, Ms W explained the difficulties she faced and the impact the matter had on her.

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.

In her response to my provisional decision, Ms W explained about her circumstances and also the impact this matter had on her.

I'm sorry to hear about the impact this matter had on Ms W. And given the increasingly difficult financial situation that Ms W found herself in, I do think that it was right that Monzo did agree to allow Ms W to make an early withdrawal.

However, although Ms W was clearly distressed by these matters, as I explained in the provisional decision, I don't think Monzo can reasonably be held responsible for the distress Ms W experienced in not being able to access her money.

This is because firstly, I'm satisfied that Ms W was made aware that by putting money into the fixed term Savings Pot, this meant she would not be able to access that money over the term of the product. Secondly, it seems that the distress and difficulties Ms W unfortunately

faced were caused by Ms W tying up too much of her money in a fixed term product, rather than it being the case that Monzo did anything wrong.

Finally, Ms W has said that she wasn't to know (when she took out the Savings Pot) of the difficulties she was due to face. But many of the reasons Ms W gave to Monzo as to why she needed access to the money were known to Ms W (or at least reasonably foreseeable) before she'd opened the Savings Pot. So, in the circumstances, I can understand why Monzo didn't agree to the first few requests for an early withdrawal to be made.

So in summary, whilst I sympathise with Ms W's difficult circumstances, for the reasons given above, I don't think it would be appropriate to say that Monzo should pay Ms W compensation. But I do think it was right that Monzo allowed Ms W to make an early withdrawal from her fixed term Savings Pot, once it'd become clear that Ms W's financial circumstances were not improving.

My final decision

Because of the reasons given above and in my provisional decision, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 11 December 2024.

Thomas White
Ombudsman