

The complaint

Miss C complains Monzo Bank Ltd incorrectly handled her chargeback claim and unfairly closed her account.

What happened

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

In August 2023 Miss C was on holiday and booked an excursion using her Monzo account. Miss C was unable to attend the excursion as her daughter was unwell. Miss C says she asked the company for a refund, but her request was declined.

On 30 August 2023 Miss C raised a chargeback claim with Monzo. Monzo credited Miss C's account with the disputed amount whilst it reviewed the claim. After gathering evidence Monzo raised the dispute with the scheme provider. Based on the available evidence the chargeback claim was unsuccessful. Monzo informed Miss C of this in December 2023, explaining it couldn't take her claim any further. It said it would take back the £244.25 in two weeks. It highlighted that if she didn't have enough funds, her account would go overdrawn.

Monzo took the funds from the account, as outlined and Miss C went into her overdraft. Over the coming months there was a great deal of contact between Miss C and Monzo regarding repaying her overdraft, with Miss C asking for assistance. Monzo asked Miss C on multiple occasions for details regarding her personal and financial situation so it could provide the appropriate assistance.

As Miss C's account remained in its unarranged overdraft and a repayment plan hadn't been established a default was registered against the account and it closed on 16 April 2024.

Miss C raised a formal complaint about the handling of her chargeback claim and management of her account. In its final response issued on 27 August 2024 Monzo explained the chargeback dispute is a voluntary scheme and certain evidential requirements will need to be met. In Miss C's case the dispute wasn't successful and on 11 December 2023 Miss C was informed of this and that the temporary credit would be collected in 14 days.

Monzo also explained it needed to ask Ms C for details before a repayment plan could be agreed, so although its questions seemed repetitive, they were necessary in order for a plan to be put in place.

Unhappy with the response received Miss C referred her complaint to our service. An Investigator reviewed her concerns and in summary made the following findings:

- Monzo has provided evidence to show it followed the chargeback process and it wasn't successful based on the evidence available.
- Miss C was offered support in repaying the overdraft. Breathing space was applied to the account and interest wasn't charged from April onwards.

- Monzo followed the correct process with regards to the account closure.
- Monzo has agreed to waive all interest applied to the overdraft. This means Miss C now owed £239.09.

Miss C remained unhappy and maintained Monzo had acted unfairly. Miss C said she offered to repay the balance on the overdraft numerous times once she was in a better financial position. Miss C asked for her account to be reinstated. As no agreement could be reached the case has been referred to me – 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.

I appreciate Miss C was disappointed by the Investigator's opinion. I'd like to reassure Miss C that I've considered the whole file and what's she's said. But I'll concentrate my comments on what I think is relevant. If I don't mention any specific point, it's not because I failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome. No discourtesy is intended by me in taking this approach. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts.

Chargeback

Miss C used her debit card to book the excursion in August 2023. Because the payment was made on a debit card, chargeback was the only option for Monzo to potentially pursue a refund for Miss C. Whilst there are some protections under the relevant chargeback scheme, there isn't a guarantee of a refund.

The chargeback process is voluntary and run by the card scheme whereby it will ultimately arbitrate on a dispute between the merchant and customer if it cannot be resolved between them. Such arbitration is subject to the rules of the scheme - so there are limited grounds on which a chargeback can succeed or be deemed a 'valid claim'. Our role in such cases is not to question the card scheme rules, but to determine whether the regulated card issuer (i.e. Monzo) acted fairly and reasonably when presenting (or choosing not to present) a chargeback on behalf of Miss C.

Based on the evidence provided from Monzo I can see it gathered information from Miss C about her booking, the timeline of events and reasons for cancelling. Monzo also returned the amount in dispute to Miss C whilst it contacted the merchant to obtain further details. Based on the responses received to its queries, Monzo decided there was no entitlement to a refund as set out in the chargeback regulations. This is a decision Monzo is entitled to make, in light of the chargeback rules and evidence provided. Looking at the information provided, I think Monzo took the appropriate steps to pursue the chargeback on behalf of Miss C and I think Monzo reached the decision not to refund the amounts to Miss C fairly.

Overdraft

Monzo informed Miss C of its decision regarding the chargeback and explained the amount in dispute would be collected from her account. As Miss C didn't have funds in her account, the debit took her into her overdraft. Monzo explained this overdraft would need to be repaid.

I can see that Miss C explained to Monzo at this point that she had lost her job and she was facing financial difficulties. 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 C fairly and give her appropriate support.

Miss C feels Monzo hasn't supported her with her financial struggles. In particular Miss C says 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. Miss C says the repeated questions were unnecessary and she offered to repay the overdraft as soon as she found employment.

Firstly, I must highlight that overdrafts are a credit facility which are repayable on demand. In Miss C's case Monzo says it expected the overdraft to be cleared within 30 days.

I can see from Miss C's chat history with Monzo that there were lengthy discussions prior to the account closure about how Miss C could repay the overdraft. Monzo applied breathing space, so Miss C wasn't chased the outstanding debt, and interest wasn't applied from April 2024 onwards. There were multiple exchanges between Miss C and Monzo, focused on Miss C'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. However, on most occasions Miss C was required to provide further details and information, and the requests don't appear to have been responded to.

I understand Miss C found the questions from Monzo repetitive. However, I think these questions were necessary as Monzo needed to explore all available options to support Miss C. I'd expect them to obtain an understanding of Miss C's individual financial circumstances to decide how best to help her. Monzo also asked for details of her income and expenditure. I don't think these queries were excessive 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.

As well as trying to work with Miss C to establish a repayment Monzo also provided Miss C with breathing space when appropriate and sign posted her to debt support agencies. I can also see Monzo's contact highlights the impact of Miss C not making payments towards the overdraft, and the possibility of a default being registered against the account.

I appreciate Miss C was finding new employment and this was a challenging period for her. However, Monzo is under a regulatory duty to manage customer debt effectively, and this includes pursuing repayment in the appropriate manner. It also has a duty to accurately report the status of accounts. Although Miss C found employment and offered to repay the overdraft in August 2024, Monzo can't ignore the timeline of events prior to this. So although Miss C's financial situation changed, I find Monzo's handling of the account to be reasonable in the circumstances.

Account closure

Monzo has explained its approach is to close an account if it is within its unarranged overdraft for a specific period, and no repayments have been made. Monzo is entitled to have its own approach to accounts in this position, and this approach will be influenced by its regulatory duties on consumer debt. Essentially in order to prevent a customer incurring further charges or increased debt the account will be closed.

Miss C would like her account to be reopened. 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.

In Miss C's case I can see Monzo has closed the account due to the lack of repayment of the overdraft. Given the time Miss C had been in her overdraft, and the account terms, I'm satisfied Monzo acted fairly in taking this action.

In summary, I recognise how strongly Miss C 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 C unfairly when it closed her account and asked her to repay her outstanding debt. 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 C to accept or reject my decision before 13 June 2025.

Chandni Green
Ombudsman