

The complaint

Mr I is unhappy that Monzo Bank Ltd defaulted his account.

What happened

Mr I held a Monzo current account with an agreed overdraft facility of £500. In March 2024, Mr I's account balance was slightly beyond the agreed overdraft limit, and on 25 March 2024, Mr I made a payment of £20 to his account which brought the balance back within the agreed overdraft limit.

However, overdraft balance interest was applied to Mr I's overdrawn balance on 1 April 2024, which took the balance of the account beyond the £500 agreed overdraft limit once again. Monzo reached out to Mr I about the unsatisfactory position of his account regularly via their in-app chat function, but Mr I didn't respond and didn't make any payments to reduce the account balance.

Several months passed wherein Monzo continued to reach out to Mr I but where Mr I did not respond or make any payment to his account. And because overdraft interest was added to the balance each month, Mr I's account moved further and further beyond the agreed overdraft limit.

On 5 July 2024, Monzo updated the messages that they were sending to Mr I to include that if Mr I didn't take action to resolve the position of his overdraft balance, that they would soon look to default his account. Shortly afterwards, Mr I responded to Monzo and said that he would pay money toward his account on 25 July 2024 and that he would need to arrange an affordable repayment plan to clear his overdraft balance. Monzo responded to Mr I and asked about his financial position at that time so that they could consider forbearance options for him, but Mr I made no further responses to them.

Monzo continued to send messages to Mr I about the position of his account. And when Mr I didn't make any payment towards his account on 25 July 2024 as he'd said that he would, Monzo then moved to default the account and did so on 1 August 2024. Mr I wasn't happy that Monzo had defaulted his account, so he raised a complaint.

Monzo responded to Mr I but didn't feel they'd done anything wrong in how they'd administered his account, including that they'd followed the unauthorised overdraft process that they had. Mr I didn't agree and so he referred his complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that Monzo had treated Mr I unfairly as he felt was the case and so didn't uphold the complaint. Mr I remained dissatisfied, so the matter was escalated 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.

The terms and conditions for Monzo's overdraft facility include the following:

"As a responsible lender, we'll review your overdraft use to make sure you're using it for short-term borrowing. If you're using your overdraft, but don't add any money to your account for over 60 days, this could mean you're not using it for short-term borrowing. In this case, we might ask you to make a payment into the account."

This term clearly indicates that Monzo provide an overdraft facility to their account holders for short-term borrowing purposes only. And Monzo have explained that if an account holder maintains an overdrawn balance but doesn't make any payment towards it for a set period of time that they will consider that account holder to have breached the terms of their overdraft facility and will move to default the account. This is as per the following term of Monzo's general terms and conditions:

"We may close your account immediately or stop you using your card and/or app if we believe you've:

...

- Broken the terms of this agreement."*

In this instance, Mr I didn't make any payments towards his account from 25 March 2024 until after Monzo defaulted the account on 1 August 2024 – over five months later. Because of this, I'm satisfied that by following the process that they did, which ended with the defaulting of Mr I's account, that Monzo did act in accordance with their stated terms and conditions.

However, I would also expect that Monzo would have communicated their dissatisfaction with the position of Mr I's account to Mr I, so as to give Mr I a clear understanding of the position of his account and information about what Monzo required him to do.

Upon review, I think that Monzo did that here. And I say this because it's clear that Monzo sent a series of escalating in-app messages to Mr I that explained that the balance of his account was beyond the agreed overdraft limit and which asked Mr I to make payment to his account or to engage with Monzo if he couldn't make a payment so that Monzo could better understand his current position and assess whether they could help him in any way.

These messages were sent to Mr I on the following dates: 5, 11, 22, and 26 April: 6, 10, 16, 21, and 27 May: 5, 10, 14, 20, and 25 June: and on 5 August 2024.

As discussed, following the 5 August message, which was the first message which explained that Monzo intended to default the account soon if Mr I didn't act, Mr I responded to Monzo and explained that he would need to agree an affordable payment plan with them. But when Monzo then asked further questions of Mr I, to enable them to understand his current financial position so that they could consider potential repayment plans, Mr I stopped responding to them.

This led Monzo to issue further messages to Mr I on 19 and 25 July, both of which explained that if Mr I didn't respond or didn't make payment before 31 July 2024, that Monzo would default his account.

Accordingly, considering all the messages issued by Monzo as described above, I'm satisfied that Monzo did clearly advise Mr I of the position of his account and of what Monzo required him to do regarding it. And I'm also satisfied that Monzo clearly explained that if Mr I didn't act as Monzo required him to, that Monzo would default his account. And because of

this, I don't feel that Monzo have acted unfairly towards Mr I by defaulting his account in accordance with their terms and policy and in line with the clear communication that Monzo issued to Mr I about his account.

Mr I has explained that he was experiencing difficult personal circumstances at the time which meant that his Monzo account was not a priority. On a personal level, I can appreciate Mr I's position here. But in my professional capacity as an ombudsman, I have to remain impartial. And in this capacity, I feel that the salient point here is that Mr I didn't at any time engage with Monzo in a meaningful way and tell them about the difficult personal circumstances that he was experiencing – despite Monzo's repeated requests for him to do so. And, ultimately, a business can't take account of difficult circumstances about which they are not informed.

Mr I has also said that he muted notifications for messages on the Monzo app because of his difficult personal circumstances and that he feels that Monzo should have reached out to him about his account via other channels, such as by letter.

But I feel that it's somewhat disingenuous for Mr I to have deliberately muted and ignored the notifications from Monzo via the channel that he was aware that Monzo used, but then to have expected Monzo to have contacted him via another channel. And I also feel that the fact that Mr I responded so quickly to the message that Monzo sent to him on 5 August 2024, in which Monzo first stated that they would default his account, strongly suggests that Mr I was receiving the messages that Monzo sent to him.

Ultimately, Mr I was aware or should reasonably have been aware that the balance of his account was above the agreed overdraft limit, and he didn't make any payment to his account or meaningfully engage with Monzo about his circumstances for several months. And because of this, I don't feel that Monzo acted unfairly by following the unauthorised overdraft process that they did here, including that they defaulted Mr I's account.

I realise this won't be the outcome that Mr I was wanting, but it follows that I won't be upholding this complaint or instructing Monzo to take any further or alternative action. This is because I feel that the outcome as it stands here is already a fair one. I hope that Mr I will understand, given what I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

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

Paul Cooper
Ombudsman