

The complaint

Mr C complains that Monzo Bank Ltd ('Monzo') unfairly defaulted his account during a payment plan and communicated with him poorly at this time.

Mr C wants the default removing from his credit file.

What happened

Monzo sent Mr C a letter on 6 October 2023 warning him his account would be defaulted unless he paid off his overdraft or came to an arrangement.

Mr C made an arrangement to repay his overdraft. However it soon came to light that this wouldn't clear the debt within twelve months, and Mr C was upset to hear that this would have led to his account defaulting.

So, another arrangement was made whereby Mr C would pay a slightly higher amount of £144 a month from 6 December 2023 for eleven months, and then make one final payment of £140.37.

Mr C paid 6 January 2024's payment on 6 February 2024 and the payment due on 6 February 2024 on 14 February 2024. Monzo defaulted Mr C's account on 13 February 2024 and Mr C's credit file was updated to reflect this.

Mr C complained to Monzo, and subsequently to the Financial Ombudsman Service, that this was unfair. He said he'd paid in response to Monzo's reminders and hadn't been warned the account could default so quickly.

Our investigator didn't uphold Mr C's complaint, saying Monzo hadn't acted unfairly. Mr C disagreed and asked for an ombudsman to consider his complaint.

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've taken into account any relevant law and regulations, the regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good industry practice at the relevant time.

I know this will disappoint Mr C but I've come to the same conclusion as our investigator, and I've decided not to uphold his complaint. My reasons are broadly similar.

Unfortunately I'm not able to look into issues Mr C has raised about the reasons for his account closure, which led to this debt being due. That's because our service only investigates complaints businesses have responded to. If Mr C raises his complaint about the account closure to Monzo he may be able to refer this to the Financial Ombudsman Service in future.

What I'm looking at is the defaulting of Mr C's account when he made a payment arrangement. I'll address Mr C's concerns in turn.

Mr C's unhappy that the first arrangement he made exposed him to a default. This was corrected by Monzo before the arrangement began, and new terms were rearranged. Other than being upset, there was no impact on Mr C. Monzo apologised, and I think that was fair in respect of what had happened with the first arrangement.

Mr C says it wasn't clear to him that the terms of the first arrangement applied to the second arrangement – that is, that a breach would lead to a default. Monzo said this hadn't been explicitly restated when Mr C's payments were rearranged to £144 a month. I agree with our investigator that Mr C was reasonably aware from the notice of default and what had been agreed with Monzo that an arrangement would avoid a default if he kept to it– and that he was therefore at risk of a default if he didn't keep to what was agreed.

Mr C accepts he paid late but says Monzo didn't give him the industry standard of three months to bring his account up to date before the default was applied. I recognise Mr C is referring to the guidance issued by the Information Commissioner's Office ('ICO') which sets out that by the time an account is at least three months in arrears, and normally by the time an account is six months in arrears, it's generally expected that a default will be registered.

I don't think Monzo acted outside of the ICO's guidance here. I say this because Mr C's overdraft was repayable on demand and became due when his account closed in August 2023. When this wasn't paid, the full overdrawn amount was in arrears. Monzo's notice of default in October 2023 was an opportunity for Mr C to address his arrears before he got to the three month mark, which was when a default might be reported.

The ICO wouldn't expect a default to be reported if an arrangement was being kept to. This doesn't restart the three-month period Mr C refers to, rather it suspends action that could otherwise be taken on the account while an arrangement is in force. As Mr C had broken his arrangement by February 2024, the default was, I think, correctly applied by Monzo.

Mr C said he'd been reminded to pay the same day as the default had been applied, which suggested the default was applied prematurely. I don't agree, because Mr C had broken the arrangement by missing his payment date and not by missing a reminder. Mr C had been given a second chance to pay and avoid a default under the arrangement, and I don't think it was unfair that he wasn't given further chances.

I recognise Mr C wanted more forbearance and he says it was disproportionate to default his account for a payment that was a few days late. However I think Monzo can demonstrate they acted fairly towards Mr C here by applying breathing space to Mr C's account whilst an arrangement was made, allowing a grace period for payments to clear through their suspense account, and only reporting the default after Mr C had broken the arrangement. I wouldn't expect Monzo to delay reporting a default as this would mean it'd take longer for the default to drop off Mr C's credit file, which would be unfair.

I acknowledge Mr C's looking for alternative ways to challenge the default and wants to know if Monzo can help. Monzo have reached the end of their complaints process and so are unlikely to revisit the issue with Mr C. I have reached a final decision in relation to Mr C's complaint which is the end of our process at the Financial Ombudsman Service. Mr C doesn't have to accept my decision, in which case it isn't binding and he is at liberty to explore other options.

It may help Mr C to know that he is able to contact the Credit Reference Agencies and place a notice of correction on his credit file, to give a short explanation for this default. Potential lenders looking at his credit file in future will be able to consider this when reaching their lending decisions.

In all the circumstances I don't think Monzo have treated Mr C unfairly, and so I don't uphold Mr C's complaint.

My final decision

For the reasons I've outlined, my final decision is not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 26 May 2025.

Clare Burgess-Cade
Ombudsman