

The complaint

Mr O complains that Monzo Bank Ltd registered a default against him after closing his account. He is also dissatisfied with the service he received, particularly delays in responding to his emails.

What happened

The detailed background of this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr O had two accounts with Monzo - a flex account and current account. Mr O's current account had an agreed overdraft of £1,000.

Monzo closed Mr O's current account with 60 days' notice on 28 September 2023. At the time the account had an overdrawn balance of just over £970. Following this Monzo wrote to Mr O and asked him to get in touch to repay the money he owed. Monzo provided details of an alternative account for Mr O to use to clear the overdraft.

On 15 October 2023, Monzo sent Mr O an email which told him he owed just over £970 and that he should get in touch to make arrangements to repay what he owed.

Mr O responded via email on 17 October 2023 and asked Monzo to get in touch with him so that he could discuss repaying his overdraft.

On 26 October 2023, Monzo responded and sent Mr O another email apologising for not being in touch sooner. And explaining that this was due to them experiencing high demand. Monzo asked Mr O to give them some information about his financial situation so that it could complete a budget assessment.

On 29 October 2023, Monzo sent Mr O a message warning of its intention to default the account shortly. No date was given about when the default would be applied, but the message did say: *You can avoid this happening if you get in touch before 28 November 2023 and make a plan to repay what you owe.*

In response, on 31 October 2023, Mr O called Monzo. He explained that he'd been trying to get in touch with Monzo for weeks and that the email Monzo had sent to him on 26 October 2023, had ended up in his junk email folder. He told Monzo that he had been waiting for Monzo to ring him. Monzo explained that its recoveries department only correspond via email. The advisor told Mr O it would get the recovery team to contact him.

On 2 November 2023, Mr O emailed Monzo asking them to get in contact with him so that he could discuss repayment arrangements. He explained that he was having a lot of trouble getting in touch with Monzo and hadn't received any response. Monzo acknowledged Mr O's complaint on 9 November 2023. And told him it would get back to him by 26 December 2023.

On 23 November 2023, Monzo and said that before putting anything in place it needed to ask some further questions about Mr O's financial circumstances. So, it asked him to complete a budget assessment. The email also advised 'breathing space' had been applied to the account until 23 December 2023 and said he had 30 days to complete the budget assessment. The letter also said Monzo would send a message the day before the breathing space was due to end and it's not currently clear whether this reminder was sent.

Mr O then contacted Monzo on 27 November 2023, and provided information about his outgoings and income. On 28 November 2023, Mr O offered to pay £100 a month to clear his overdraft. Monzo questioned some of the information Mr O had submitted and he clarified his outgoings on 29 November 2023. On 13 December 2023, Monzo emailed Mr O – it apologised for not being in touch sooner and asked Mr O what he could afford to repay each month.

On 27 December 2203, Mr O paid Monzo £500 towards what he owed, leaving a balance of just over £470.

Whilst the conversations about repaying were happening, Monzo defaulted the account on 28 December 2023 and informed the credit reference agencies (CRAs) of this.

In January 2024, Monzo agreed a repayment plan with Mr O, which started in February 2024 to clear the outstanding overdraft balance. Mr O has now repaid the outstanding account balance in full.

Mr O complained to Monzo. In response, Monzo said it hadn't done anything wrong when it had registered the default with the CRA's. However, Monzo accepted its level of communication fell short and offered Mr O £50 compensation.

Mr O remained unhappy and brought his complaint to our service. He maintained that Monzo had treated him unfairly by recording the default. He said he'd tried his best to sort out repaying what he owed, but Monzo didn't answer his emails for weeks at a time and didn't do anything to help him.

One of our investigators reviewed Mr O's complaint but didn't uphold it.

Our Investigator said Mr A had nearly three months to repay his overdraft before his account closed and Monzo had provided him with the account details to pay when it closed his account. Our Investigator said Monzo sent Mr O a default notice on in December 2023, and the reporting of the default wasn't unreasonable.

Mr O disagreed. He maintained he's been treated unfairly and wants the default removed.

As no agreement could be reached the matter came to me to decide. After looking at all the evidence I came to a different conclusion to the investigator. I issued a provisional decision in which I said the following;

The key points Monzo has relied on to justify its decision to default the account are the default notice issued on 29 October 2023 and its email giving breathing space on 23 November 2023.

The default notice advised Mr O that he could avoid default if he contacted Monzo before 28 November 2023 to try and arrange a repayment plan. In fact, he'd already done this on more than one occasion via email on 17 October, 2, 27 and 28 November 2023,

The result of these emails was that Mr O completed a budget assessment and offered to set up a £100 a month repayment plan. Mr O also rang Monzo on 31 October 2023 to try and sort things out. So, I think he was entitled to believe he was now in discussions with Monzo about repaying the outstanding balance and that the threat of default had been removed for the time being.

Monzo's response on 23 November 2023 told Mr O breathing space had been applied until 23 December 2023, so he could complete a budget assessment. But, crucially for me, it didn't tell him the account would be defaulted if he didn't respond before this date. As no such warning was given and in view of the fact Mr O was discussing a repayment plan and had responded before 28 November 2023 deadline given in the default notice, I don't think it would have been clear the account would be defaulted if he didn't reply by 28 November 2023.

As it was, he responded on 28 November 2023, before the breathing space ended, to propose a repayment plan of £100. His plan was subsequently accepted by Monzo and it seems clear Mr O actually paid the full amount owed sooner than expected. I think the fact he honoured the agreement and actually settled it early shows a clear intent to pay. If Monzo had spelled that the account would be defaulted if he didn't reply by 28 November 2023, I think it's almost certain Mr O would have made sure he did what was needed before that date, so this outcome was avoided. In the circumstances, I don't think it was appropriate for Monzo to default the account as there were active discussions about a repayment plan and Mr O had initiated these discussions before the deadline in the default notice.

Turning to the service Mr O received in more detail, I think there were significant failings. In particular, I note there were repeated delays – often up to a few weeks – in responding to Mr O's messages; Monzo's responses began by saying I'm sorry again for the delay in responding to you, we're still experiencing a high demand for support at the moment.

By its own admission, the service Monzo provided to Mr O fell short of the standard he was entitled to expect. I don't think there's any dispute that this caused Mr O unnecessary distress and inconvenience and I believe he should be compensated for that. It's for these reasons that I'm currently proposing to uphold Mr O's complaint.

Putting things right

The principal aim of any award I make is to return Mr O to the position he'd be in but for the inappropriate actions of the inappropriate actions of Monzo.

For the reasons I've explained, I don't think the account should have been defaulted and I'm therefore, proposing to instruct Monzo to remove the default from his credit file and instead report that he was in a payment arrangement that's now been satisfied.

As I've said above, I think Mr O should also be compensated for the unnecessary distress and inconvenience he suffered. The amount to award for distress and inconvenience can be difficult to assess as the same circumstances can impact different people in different ways. In this case, I'm conscious Mr O was already experiencing difficult circumstances, and trying to get his finances back on track, and I believe the continual problems he had engaging with and getting timely responses from Monzo would only have exacerbated that situation. This is aside from the distress and inconvenience caused by his account being defaulted when I don't think it should have been.

I don't believe the £50 offered by Monzo is adequate in this case. In my view, total

compensation of £300 is appropriate and is the amount Monzo should pay. This isn't clear from the file but if Mr O has already received the £50 Monzo offered previously, I'm proposing it should pay a further £250. I'm satisfied this represents a fair and reasonable settlement to this complaint.

Both Mr O and Monzo said they agreed with my provisional decision. Now both sides have had an opportunity to comment I can go ahead and issue my 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.

As neither party has provided anything new for me to consider, I see no reason to depart from my provisional findings. I remain of the view that this complaint should be upheld for the reasons set out in my provisional decision, which are repeated above and form part of this decision.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint. To put things right Monzo Bank Ltd should do the following:

- Remove the default from M O's credit file and instead report that he was in a payment arrangement that's now been satisfied.
- Pay Mr O a total of £300 for the trouble and upset this matter has caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 27 April 2025.

Sharon Kerrison
Ombudsman