

The complaint

Miss M is unhappy that Monzo Bank Ltd closed her accounts without giving any reason. They then put some refunds she was expecting towards her overdraft balance, rather than returning them to her as she'd been initially promised. Miss M is also unhappy with the help she received when trying to get her loan written off or a repayment plan put in place.

What happened

The facts of this complaint are well known to both Miss M and Monzo, so I have summarised them below.

Monzo notified Miss M in June 2024 that they would be closing her accounts in two months' time. Miss M was unhappy with this, especially as Monzo didn't provide a reason for the closure. She was concerned about the impact the removal of her overdraft would have on her. Miss M had debit balances on her current and flex account at the time of the closure.

Miss M asked Monzo to write off her debt due to the unexpected closure of her accounts and the financial difficulties this caused her. Monzo asked her some questions around this and asked her to provide medical evidence to support her need for the debt write off. Miss M did this, but Monzo informed her on 10 August 2024 that it wouldn't be willing to write off her debt at that time. They said if she had any new evidence that could be useful then she could provide this. Miss M provided further medical evidence but was told again on 29 August 2024 that Monzo wouldn't be willing to write off the debt and to provide any new evidence she thought could be useful. Miss M asked Monzo what evidence would help her get the debt written off as she had provided all of her medical evidence.

During this time, Miss M was also communicating with Monzo's recoveries department about setting up a repayment plan. Monzo asked Miss M for her income and expenditure to see if she could afford a repayment plan but this showed she would be in a deficit each month and therefore a repayment plan wasn't appropriate. Monzo asked Miss M several times if anything had changed with her situation and to explain how she could afford the repayments as her budget showed she was in a deficit each month.

Miss M contacted Monzo at the end of her notice period as she was due some refunds into her account after the account was due to close and was worried she wouldn't be able to access this money. She's explained she needed the refunds to pay for essential bills and spending. In the initial call with Monzo on 22 August 2024 she was told this wouldn't be a problem and that when the refunds credited the account, she would be able to provide alternative account details for the money to be sent to. However, this wasn't the case and instead, the refunds were used to reduce the debt owed. When Miss M called back on 23 August 2024, the advisor explained that she couldn't guarantee she would get the refunds back as her account was overdrawn and it would be down to the recoveries department to decide.

After some back and forth with the recoveries department, on 30 August 2024 Monzo let Miss M know that it would return £100.22 to her but that any further refunds received into her account would go towards the debt.

Miss M complained to Monzo who responded in its final response letter (FRL) dated 10 September 2024. This explained that it was not willing to write off her debt at that time and that it was not guaranteed that it would be able to send Miss M the money from any future refunds she received to her closed account if they were 'swallowed up' by the overdraft. Monzo awarded £50 in compensation for delays in responses Miss M received. This was later increased to £80.

Ms M remained unhappy so referred her complaint to our service. One of our Investigator's looked into it, and they recommended it wasn't upheld. In summary, they said Monzo was able to close the account in the way it did and were satisfied it'd done so in line with the terms and conditions of the account. They went on to say that Monzo hadn't done anything wrong in not sending any further refunds to Miss M as it had the right to offset any amount against the overdraft. They also explained that they felt Monzo fairly handled Miss M's issues when trying to set up a repayment plan and that the £80 compensation awarded by Monzo fairly reflected the delays that had occurred in it responding to Miss M. The Investigator also noted that Monzo had, in February 2025, decided to write off the debt Miss M owed.

Miss M disagreed. She has said that she doesn't feel the compensation amount takes into account the impact this matter has had on her. Miss M asked for a final decision, so her complaint has now been passed to me for a 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.

Firstly I'd like to acknowledge the impact this complaint has had on Miss M. I understand her physical and mental health conditions make dealing with situations like this very difficult and distressing. I don't take this lightly. But having reviewed everything provided by her and Monzo, I won't be upholding the complaint. I'll explain why.

Account closure

Monzo has a wide range of legal and regulatory obligations they must meet when providing account services to their customers. These obligations are ongoing so don't just apply at account opening stage. To comply with these obligations, they may need to review accounts. Sometimes these reviews will lead to the accounts being closed. If Monzo didn't do this, they could risk serious sanction.

Monzo is entitled to decide who they do business with, just as Miss M can decide who she wants to bank with. But it should be noted, that if a financial institution chooses to close an account, they should do so in line with the terms and conditions of the account and their reasons should be legitimate, fair and non-discriminatory. And having reviewed what Monzo has said, I'm satisfied it was entitled to close Miss M's accounts and did so in line with the terms and conditions and its legal and regulatory obligations.

I appreciate Miss M has complained that Monzo hasn't given any reason for the closure, but I'm satisfied Monzo doesn't have to share this with her. This type of information is often commercially sensitive. Monzo does however have to share it with our service, so we can ensure it is acting correctly. It wouldn't be appropriate for me to share the reasons with Miss M, for the same reason as above. But I hope that it helps Miss M to know that someone impartial and independent has looked into her concerns.

Refunds

Monzo has acknowledged it gave Miss M incorrect information initially that she would be able to receive the refunds due into her account. However, just because Monzo gave Miss M incorrect advice, does not mean she is entitled to the refunds. Miss M has referred to the money as her money. But Miss M was continuously in her overdraft, so was using money Monzo had lent her for these purchases.

The terms and conditions of her account and overdraft allow Monzo to put any credit balance towards the debt owed, so no error was made by Monzo in applying the refunds to Miss M's debt.

We would want to see that Monzo has corrected the misinformation it gave and if necessary, compensated Miss M for any trouble and upset it caused her.

Having listened to the phone calls Miss M had with Monzo, I can see that the advisor she spoke with on 23 August 2024 did explain that because her account was overdrawn, she may not be able to get the refunds returned to her as she'd been told the day before. She explained this would be up to the recoveries department. So, I'm satisfied that Monzo corrected the information it had given Miss M in a timely manner. The recoveries department then informed her that because of the incorrect advice she'd received, they would make an exception and return the refunds they had received to that point to her, along with some money that was in Miss M's savings pot. They went on to say that any further refunds would be put towards her debt. I don't find that Monzo has acted unfairly here given that it was entitled, under its terms and conditions, to apply any refund received against the overdraft and was under no obligation to send Miss M the money that it did.

Repayment plan and debt write off

I have reviewed various calls, emails and in app chat messages where Miss M and Monzo are discussing debt write off and repayment plans. Miss M was dealing with multiple different departments including recoveries, complaints and the wellbeing team and I think this contributed to how overwhelming and frustrating the process was for Miss M.

On the whole, I'm satisfied Monzo was trying to help Miss M with her debt write off request and trying to see if a repayment plan was appropriate. It gave her breathing space during the process and did keep her informed of the impact failure to pay would have on her credit file. But I do acknowledge at times that some of the communication was slow – something Monzo has acknowledged and given compensation for. It was also repetitive, with Monzo asking for the same bit of information such as Miss M's thoughts on how she could afford the repayment plan. This wasn't always productive and I can see how frustrating this was for Miss M especially given her circumstances. It's clear that Monzo could have handled its communications with Miss M better here, especially considering she had made them aware of her health conditions. But as I've said previously, I'm satisfied overall that it was trying to help Miss M with regards to setting up a repayment plan.

Conclusion

I'm satisfied that Monzo acted fairly in closing Miss M's account and that it was trying to help her with regards to a repayment plan. It has provided what I find is fair compensation for customer service delays and I also find that in making an exception and sending Miss M the money it did it went above its obligations. Monzo did ultimately end up writing off Miss M's

debt and I've balanced this against her request for further compensation. Ultimately, taking this into account, I find that the £80 Monzo has awarded in compensation fairly reflects the distress and inconvenience its delays and misinformation caused.

My final decision

For the reasons above, I have decided not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 29 October 2025.

Mark Louth
Ombudsman