

The complaint

Miss B complains that Monzo Bank Ltd unfairly registered a default in relation to her current account.

What happened

Miss B held a current account with Monzo, with an overdraft facility of £500. In February 2023, the debit balance on the account increased above the overdraft limit. Miss B says she was unwell and not working at the time, so wasn't able to make any payments.

Monzo wrote to Miss B on 4 May 2023 telling her that she needed to pay the outstanding balance of £56.52 by 3 June 2023 – otherwise it would close the account and register a default. It sent her several reminders throughout May 2023. Miss B contacted Monzo through its live chat service on 29 May 2023 to let it know she was struggling to pay. Monzo replied asking for further details. Miss B sent some further messages saying she was struggling to get through to Monzo. Miss B says she made further attempts to contact Monzo without success. Monzo wrote to Miss B in August 2023 saying it had closed her account and registered a default. It asked her to repay the full outstanding balance of £605.81.

In October 2024 Miss B's financial circumstances had improved, so she cleared the balance. Miss B made a complaint to Monzo. She said she'd made reasonable attempts to get in touch before the deadline stated in its default notice – but Monzo had failed to respond or engage with her. She was also unhappy that the default had been registered two months after the deadline, so would fall off her credit file later than it should have.

Monzo didn't agree it had made an error. It said it had asked Miss B for information about her circumstances, but she hadn't responded. It said it had received requests from Miss B through its app asking for additional time to clear the outstanding balance – so it had allowed her until August 2023 to pay and only defaulted the account after that date had passed.

Still unhappy, Miss B referred her complaint to this service. One of our Investigators considered the complaint but didn't uphold it. They said Monzo had attempted to engage with Miss B to understand her circumstances, but because she didn't reply there was nothing more it could have done. They were satisfied Miss B had asked for an additional two months to pay which Monzo had agreed – so felt it was reasonable that Monzo waited until August 2023 to close the account and register the default.

Miss B didn't agree. She said she didn't make any requests for more time – and that she in fact lost access to the app altogether after 3 June 2023, so couldn't contact Monzo at all after that point. She said Monzo's communication surrounding the issue was confusing and inconsistent, and that she believed she'd done all she could by telling it she was struggling. She said she had funds that she could have put towards clearing the balance but couldn't because Monzo wasn't responding to her.

Our Investigator considered Miss B's comments, but their conclusions remained the same. They thought – on balance – that Miss B could access the app and most likely did ask for more time to pay. They thought that if Miss B intended to use her funds to clear some or all

of the outstanding balance, she could have done so before the account was closed regardless of whether she received a response from Monzo or had access to the app.

Miss B asked that the complaint be referred to an Ombudsman for a final decision. So, it's been passed to me to decide.

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 it would have come as a disappointment to Miss B to discover that her account had been defaulted and closed – especially as she'd made attempts to contact Monzo to make it aware of her circumstances. I've considered whether Monzo made an error – or otherwise treated Miss B unfairly – when registering the default. Where information is incomplete or contradictory, I've considered what's more likely than not to have happened based on the available evidence.

Miss B says she was struggling financially, so wasn't able to clear the outstanding balance. When a lender is aware – or ought reasonably to be aware – that a customer may be unable to pay because they're in financial difficulties, it ought to take positive steps to treat them fairly by providing appropriate support, forbearance and due consideration. This can involve considering a range of possible options – and lenders should pay due regard to the best interests of their customer when doing so. There aren't any specific steps a lender is required to take, as what is most appropriate will depend on the individual circumstances of the customer.

I've reviewed the correspondence between Miss B and Monzo. I can see Miss B sent Monzo a message to say she was struggling with her situation – but she didn't provide any additional details at the time. She later sent a further message saying she was looking for support with financial difficulties, and asking to set up a payment plan. On each occasion, Monzo responded to ask for further information about Miss B's circumstances so it could determine what help it could offer.

Miss B said she didn't receive these messages – and that Monzo never responded to her. From the live chat transcripts, I can see Miss B sent several messages chasing a response from Monzo. It's not clear why Miss B didn't receive Monzo's messages – but Monzo has provided screenshots of the chat which show that they were sent and read by Miss B. So, on balance, I think Monzo took reasonable steps to respond to Miss B.

Even if Miss B didn't hear back from Monzo, she also had the option of getting in touch by email or phone. I can't see that she did this, or that she made any other attempts to get in contact. Miss B says she had sufficient funds to clear at least some of the outstanding balance before the deadline – but I can't see that she made any payments at all until she cleared the balance in October 2024, more than a year later.

Based on the available evidence, I'm satisfied Monzo made reasonable attempts to engage with Miss B to understand her circumstances so that it could offer support. Because it didn't hear back from her, I don't think there was anything more it reasonably could have done to help. It also agreed to allow Miss B additional time to pay on two occasions – which I think was fair. I appreciate Miss B says she didn't make those requests – which I've addressed below. Overall, I'm satisfied Monzo took steps to ensure it was treating Miss B fairly.

Monzo is required to report true and accurate information to credit reference agencies. Although Miss B contacted Monzo before the deadline detailed in its default notice, she

didn't make the required payment or provide Monzo with enough information for it to consider alternative options. So, I don't think Monzo made an error by registering a default or that it treated Miss B unfairly when doing so.

I've also considered whether Monzo ought to have registered the default sooner than it did. Miss B says Monzo should have registered the default no later than 3 June 2023 – as this is the deadline stated in its default notice.

The Information Commissioners Office (ICO) set guidance outlining that a default may normally be registered after an account is three months in arrears – and that it should normally be registered by the time the account is six months in arrears. When Monzo issued its default notice to Miss B, her account had been over its overdraft limit for around three months. When the default was registered in August 2023, the account had been over its limit for six months. So, I'm satisfied Monzo complied with the ICO guidance by registering the default when it did.

While the default notice set a deadline of 3 June 2023, Monzo says it delayed registering the default because Miss B asked for more time to pay. It says its app includes a feature in which customers in arrears can make a 'promise to pay' before a specified deadline. Miss B says she never used such a feature, and that Monzo withdrew her access to the app after 3 June 2023.

Monzo has provided screenshots from its chat history showing that Miss B received and read messages after 3 June 2023. It's also provided evidence from its systems showing the promises to pay made in June and July 2023. This is consistent with the messages Miss B sent through its live chat when she asked to enter a payment plan. Taking everything into account, I think Monzo likely did receive a promise to pay from Miss B, and that it delayed closing and defaulting the account as a result of that.

Regardless of whether Miss B had access to the app or sent Monzo a promise to pay, I don't think it was unreasonable in the circumstances that Monzo allowed her more time to pay. Miss B had made it aware that she was in financial difficulties, and it was clear she'd struggle to make the required payment by the original deadline. Because Monzo agreed more time, it wouldn't have been fair for it to close the account or register a default before that time had elapsed. By allowing more time to pay, Monzo was taking steps to treat Miss B with due forbearance – so I can't fairly suggest that it was wrong to delay closing the account or registering a default as a result of that action.

I appreciate this will come as a disappointment to Miss B, but for the reasons I've explained I don't think Monzo made an error or treated her unfairly when registering the default. So, I won't be requiring it to do anything further.

My final decision

My final decision is that I don't uphold Miss B's complaint about Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 27 June 2025.

Stephen Billings
Ombudsman