DRN-5576066

The complaint

Mr N complains that Monzo Bank Ltd defaulted his account incorrectly.

What happened

My provisional decision of 15 July 2025 set out the background to this complaint:

"Monzo decided to close Mr N's current account and notified him it would be closed in October 2023. At the time, Mr N's account was nearly £500 overdrawn. He says he wasn't told he would lose access to the Monzo app to repay his outstanding balance after his account closed.

On 6 October 2023, Monzo told Mr N his account had now been closed and he should email its recoveries team to repay the outstanding balance owed. Mr N replied on 9 October 2023 asking how to repay his account – he chased Monzo on 11 October 2020. Mr N called Monzo on 13 October 2023. Monzo responded on 18 October 2023 without the details Mr N asked for, but asking him for details of how he would be making the payment. On 31 October 2023, Monzo asked Mr N again where the money to repay the balance would be coming from alongside other questions about his finances.

On 6 November 2023, Monzo issued a default notice to Mr N. But on 9 November 2023, Monzo emailed Mr N to let him know he had 30 days of 'breathing space' (until 9 December 2023) to answer its questions about this income and expenditure. Mr N responded on the same day.

Mr N rang on 10 November – he said he was still unclear how to repay the outstanding balance owed. He'd received a default notice was worried he'd been told his account would default if it wasn't paid by December 2023. Monzo's agent said "if you have contacted us within a good time frame… and… the account is defaulted we will take corrective action to repair that" – the person they spoke to reassured him this was the case.

On 17 November 2023, Mr N said he'd completed the budget and asked how to repay his account. Monzo responded the same day to ask Mr N further questions about his outgoings, and this was responded to immediately.

Mr N chased Monzo on 22 and 29 November 2023 asking for a way to repay his account. Monzo asked when Mr N would repay the account and then said it would provide the details he needed to repay his account. Mr N then called on 1 December 2023 to say he wanted to log a complaint. Mr N rang asking how to pay the amount he owed.

On 2 December 2023, Monzo asked Mr N how soon he wanted to repay his account but didn't give him the account details.

Monzo defaulted Mr N's account on 10 December 2023. Mr N complained to Monzo, and he later repaid the outstanding balance owed.

Monzo responded to Mr N's complaint on 17 January 2024. It apologised for its slow *responses and said it would pay Mr N £50 compensation. Monzo sent a further response on 23 March 2024. This time, Monzo said Mr N had known he had an outstanding balance to repay when it told him his account and had told him how to make a payment to his suspense account when it did close on 6 October 2023. So, Monzo said Mr N had sufficient opportunity to resolve things before it defaulted his account.*

Mr N referred his complaint about Monzo to our service, asking for the default to be removed from his credit file and compensation for Monzo's actions. Monzo said its email of 6 October 2023 gave Mr N details of the suspense account to pay and he was sent these reminders on 7, 10, 21, 24, 28 and 31 October 2023 and on 4 November 2023. It then sent a confirmation of default which included the account details to pay. So, Monzo felt it had acted correctly in defaulting Mr N's account. Monzo also said Mr N had experienced delays when contacting them and offered £100 to apologise.

One of our Investigators reviewed Mr N's complaint and recommended it be upheld, in part. The Investigator said Monzo told Mr N his account wouldn't default during their calls of 13 October 2023 and 10 November 2023. However, Mr N had also had the details of the account he needed to pay since at least 6 October 2023. As Mr N hadn't repaid the outstanding balance, the Investigator thought Monzo had acted reasonably in defaulting the account. Whilst our Investigator didn't recommend the default be removed, they did recommend Monzo pay Mr N £150 compensation for the poor customer service provided.

Mr N didn't accept our Investigator's opinion, asking for the default to be removed and £500 compensation. So, this has come to me for a decision."

My provisional findings were:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I'm minded to uphold this complaint. However, I must stress that I will review Monzo's response to my provisional decision and it may provide further evidence that changes my mind. However, I'll explain why I'm minded to uphold this complaint.

I've reviewed the wording of the emails sent by Monzo and I agree that the sample wording gives details of the suspense account to pay following the closure of his account. However, Mr M has provided a copy of one of the emails he received (dated 10 October 2023) and this doesn't give any details of the suspense account to pay. I think this reasonably throws doubt on the actual wording of the emails that were sent to Mr N in 2023.

But even if I were to conclude the suspense account details were provided, I've listened to Mr N's calls with Monzo and I think it's clear Mr N was unsure of how to repay the outstanding balance owed. Monzo, as the experts, should have been able to explain to Mr N that he simply needed to pay the suspense account. Instead, on 10 November 2023, Mr N was given reassurance along the following lines:

"if you have contacted us within a good time frame… and… the account is defaulted we will take corrective action to repair that."

I think this gave Mr N the reassurance that a default would not be recorded, or would be removed, if the account defaulted. In this call, Mr N went on to say he didn't understand how to repay the account as he could no longer access the app. Mr N asked if he would be sent bank details and he was promised these would be provided – these could have just been provided to Mr N there and then but it appears the staff member Mr N spoke to was unaware of how customers with closed accounts should make payments to the suspense accounts.

Mr N also spoke to Monzo on 1 December 2023, after the default notice had been issued. Mr N specifically said he was worried as he had been sent a default notice and didn't want this to affect his credit history. Again, this was another missed opportunity to just give Mr N the suspense account details he needed to pay.

As I said above, Mr N said he had repeatedly said he wanted to repay the outstanding balance. There is no good reason Mr N would have kept calling if he understood how to use the suspense account and this should have been a very straightforward query Monzo missed many opportunities to answer. I know Monzo says it needed to check any repayment was affordable for Mr N but he had not indicated he was unable to repay the outstanding balance owed and he had repeatedly asked to repay the debt in full. On 8 October 2023, Mr N spoke to Monzo and did ask to set up a payment plan "for now" and asked if he could change it later. But on every other occasion, particularly as the default approached, he simply said he wanted to repay the account in full. There was no indication he couldn't afford to repay the borrowing in full.

After Mr N's calls of 10 November and 1 December 2023, it doesn't appear that the suspense account were sent to him again until after the account had defaulted. Mr N had already provided all the details of his income and expenditure that Monzo had requested before the date of default so it isn't clear to me why they couldn't have just provided the suspense account details to him, particularly as Monzo claims these had already been given to Mr N.

It also appears that the default notice was issued on 6 November 2023, but on 9 November 2023, Monzo gave him 30 days 'breathing space" (which would account for the gap in email reminders about how to pay). I've also taken into account the reassurance given to Mr N that he didn't need to worry about a default, which Monzo could later remove, given he had said he intended to repay the debt in full. Given these assurances, I think there were several reasons why Mr N felt reassured that any default would be removed if he had not repaid the account by the date given in the default notice.

On balance, I don't think Monzo responded to Mr N's request for clarification of how to repay the outstanding balance owed in a timely way. I think Monzo could have clarified what Mr N needed to do over the phone or by email. If Monzo had done this, I think Mr N would have repaid the outstanding balance owed before the account had defaulted. Mr N has provided copies of his statements which showed sufficient funds in his current and savings accounts (held with another bank) to repay the debt.

Mr N has said this matter has caused him a significant amount of worry, as he wanted to apply for a mortgage. Having considered the matter carefully, I'm minded to recommend Monzo pay Mr N £250 compensation for the upset caused by incorrectly applying a default to his credit file.

Putting things right

I'm minded to recommend Monzo remove the default from Mr N's credit file and pay him £250 compensation."

Monzo accepted my decision. Mr N reiterated his request for £500 compensation for the mental and emotional distress caused by Monzo. As Mr N didn't accept my provisional decision, this has come back 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.

Having done so, my provisional decision remains unchanged. I acknowledge Mr N doesn't feel £250 compensation adequately reflects the distress this matter has caused him. However, I carefully considered Mr N's comments before reaching my provisional decision and there is no new evidence to consider here. Overall, I remain satisfied that £250 is a reasonable amount that reflects this issue took time for Mr N to sort out and has caused him.

Putting things right

Monzo should remove the default from Mr N's credit file and pay him £250 compensation.

My final decision

I uphold this complaint and Monzo Bank Ltd should do what I've set out above.

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

Victoria Blackwood
Ombudsman