DRN-5663186

The complaint

Miss B complains about how Monzo Bank Ltd handled her request for help in getting a refund for a transaction made on her debit card, and that it later decided to close her current account.

What happened

In January 2025, Miss B bought an item from a company I'll call "Y", paying with her Monzo debit card. Miss B says when she received the item it wasn't to the standard expected and having tried to resolve the issue with Y directly, had been unsuccessful.

Miss B therefore contacted Monzo for help in getting a refund. Monzo raised a chargeback, which is a process of asking Y for a refund, via rules set by the card scheme, Mastercard in the circumstances.

Y defended the chargeback, which is to say it didn't agree a refund was due. Considering the evidence, Monzo didn't think it could challenge the dispute any further, so closed the chargeback in Y's favour, meaning Miss B didn't receive a refund. Unhappy with this response, Miss B complained.

Monzo didn't agree it had made an error in the handling of the chargeback. Miss B then referred her concerns to our service. Miss B also told this service that Monzo had decided to close her account and hadn't responded to her complaint about this.

In its submission to our service, Monzo acknowledged it could have done more to help Miss B during the chargeback process. So, it offered to compensate her the value of the chargeback; £132.84, pay 8% interest on this amount and £100 compensation.

In relation to its decision to close Miss B's account, Monzo apologised that it hadn't responded to her complaint, but said the decision had been made in line with the terms and conditions of the account, so didn't think it had done anything wrong on this point.

One of our Investigators looked into everything and thought the offer Monzo had made was fair. She said Monzo had now agreed to reimburse the value of the disputed transaction, which is what Miss B would have achieved had the chargeback been successful and the offer of interest and £100 was fair to recognise any inconvenience and upset caused.

On the point of the account being closed, our Investigator acknowledged this likely came as a disappointment to Miss B, however said it was a decision Monzo was entitled to make, and notice had been given in line with the account terms and conditions, so didn't think Monzo had done anything wrong.

Miss B disagreed; she said the compensation didn't fairly reflect the impact of Monzo's error and said Monzo's actions had fallen short of its obligations as set out by the regulator. As agreement couldn't be reached, the complaint has 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've given consideration to the relevant rules and regulations applicable to this complaint and while I may not comment on everything (only what I consider is key) this is not meant as a discourtesy to either party, rather reflects the informal nature of our service. Miss B has raised two quite distinct issues in her complaint, and given we've so far dealt with these together, it seems appropriate to continue doing so. I've therefore dealt with each in turn below.

Chargeback

The chargeback process is operated by the card scheme, Mastercard in the circumstances of this complaint. The rules of the scheme set out that a card issuer (Monzo) can ask a merchant (Y) for a refund for its customer in certain circumstances as long as there is an applicable chargeback rule.

The process provides an opportunity for a merchant to provide a defence to the chargeback and its own evidence in support of that defence. If the merchant continues to defend the chargeback, Monzo can either accept that defence, or it can ask the card scheme to decide who gets to keep the money – usually referred to as arbitration.

Monzo raised a chargeback to support Miss B. Then having received a defence from Y, Monzo closed Miss B's chargeback, meaning she didn't receive a refund. Monzo has now acknowledged it could have passed on correspondence from Y to Miss B, which may have helped resolve the issue. To apologise for this Monzo has reimbursed the value of the transaction.

Alongside this, Monzo has offered to pay 8% interest to recognise the time Miss B was without the funds alongside £100 compensation. In the circumstances, while I appreciate this process may have been frustrating to Miss B, I do find Monzo's offer fair. I say this, as the best outcome Miss B could have achieved through the chargeback was a refund for the value of the item, which Monzo has now provided. And while Monzo could have passed on correspondence from Y, this wouldn't have guaranteed the chargeback would have been successful or that Miss B would have received a refund. So, to acknowledge any inconvenience or upset, the offer of £100 compensation on top of reimbursing the cost of the item as well as interest is reasonable and in line with how our service awards compensation. So, I won't be asking Monzo to compensate anything above what it's already offered.

Account closure

In April 2025, Monzo told Miss B it had taken the decision to close her account and gave two months' notice before it did this.

I don't doubt this would have been an upsetting message for Miss B to receive, but similar to our Investigator I've found that this was a decision Monzo was entitled to make and that it processed the closure of the account in a reasonable manner. I've explained below why I think this.

If a financial institution chooses to close an account, it should do so in line with the terms and conditions of the account and its reasons should be legitimate, fair and non-discriminatory.

Monzo isn't under any obligation to reveal to a customer why it closed an account. This information is often commercially sensitive. So, whilst I appreciate Miss B's frustration at not knowing why Monzo took the action it did, I don't think Monzo did anything wrong in not communicating its reasons for closing the account to Miss B. Monzo has however, shared its reasons for the closure with this service. It wouldn't be appropriate for me to share this, for the same reasons mentioned. But I hope that it helps Miss B to know that someone impartial and independent has looked into her concerns. And having done so, I'm satisfied with the reasons Monzo has given for the closure.

Considering the amount of notice Monzo gave Miss B, of its decision to close her account, it's expected that it gives sufficient notice, which is generally two months. I can see Monzo did that here, so I also think it was fair in this regard.

As a result, I think Monzo was reasonable in its decision to close Miss B's account and gave the required amount of notice before doing this.

I don't doubt this would have been an upsetting message for Miss B to receive, particularly as she's explained she was out of work at the time. However, as I think Monzo was reasonable in its decision to close Miss B's account for the reasons set out above, and it gave sufficient notice, I don't think it must then pay compensation as I haven't found it made an error. I understand and am pleased to know Miss B has since opened an account elsewhere.

If Miss B still has a balance outstanding with Monzo, and is experiencing financial difficulties, I would expect Monzo to treat her fairly and sympathetically. If Miss B has concerns about how Monzo is requesting any outstanding balance be repaid, she'd need to raise this as a complaint with the bank directly in the first instance.

Conclusion

In conclusion, I think the offer Monzo has now made is fair, to resolve this complaint.

Monzo has reimbursed Miss B the value of the chargeback. Alongside this Monzo has offered to pay 8% interest on this, until the date of the refund, alongside £100 compensation, which I think is fair for the reasons explained above.

In relation to Monzo's decision to close Miss B's account, I think this was a decision it was entitled to make and was actioned in line with the terms of the account, so haven't found it made an error on this point.

My final decision

For the reasons set out above, I uphold this complaint. If it hasn't already, I direct Monzo Bank Ltd to pay Miss B the following:

- 8% interest on the £132.84; and
- £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 20 August 2025.

Christopher Convery
Ombudsman