

The complaint

Mrs G complains that Monzo Bank Ltd closed her overdraft account and reported it as in default to the credit reference agencies.

What happened

In December 2024, Mrs G entered into an unarranged overdraft position on her Monzo account – she says that at the time she was experiencing financial difficulty as a result of being on statutory maternity pay. She says she explained to Monzo that she couldn't afford to pay back the unarranged overdraft and Monzo agreed to allow her to pay £21.96 each month, and that the unarranged overdraft amount would need to be cleared by 17 May 2025. Mrs G says that Monzo confirmed at the time that her account wouldn't default as a result.

In April, Mrs G says she got an email from Monzo stating that her account had been closed and it had defaulted. She got in touch with Monzo about this, but ultimately, it said that it couldn't do anything about the default but did pay her £50.

Mrs G says the distress of Monzo's actions have caused her to become physically unwell.

Monzo responded to Mrs G's complaint, it upheld her complaint because it felt that some of the information she'd been provided with wasn't clear. But it said it wouldn't remove the default because this had been correctly applied.

An Investigator considered the information provided by both parties, but they didn't uphold the complaint. They agreed that while not factually incorrect, some of Monzo's messages hadn't been clear and they agreed that the £50 Monzo had agreed to pay Mrs G was enough to put this right. But the Investigator didn't find that clearer messaging would have prevented the account from defaulting, and they were satisfied that Monzo had fairly defaulted the account.

Mrs G didn't agree with the Investigator's view. She explained while she accepted Monzo had sent her a default notice, because she had been in touch with Monzo twice, and it had confirmed the account wouldn't default, she didn't take further action. She added that if she'd have known the account would default, she would have borrowed money from elsewhere in order to prevent it. She says she would have taken steps to prevent the default if she'd have been informed by Monzo, but she hadn't. Mrs G reiterated that the stress of the situation has caused her to become unwell, and she could provide evidence of such from a doctor.

Because an agreement couldn't be reached, the complaint has been passed to me to decide on the matter.

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 considered everything available to me, I've decided not to uphold Mrs G's complaint. I appreciate she will be very disappointed by this decision, as I can see how strongly she feels about what's happened. However, I will explain my reasons for this below.

Firstly though, I'd like to make it clear that I have considered everything on file. I say this as I'm aware I have summarised matters and not commented on everything that's been raised. This isn't intended as a discourtesy, but merely to reflect my informal role in deciding what a fair and reasonable outcome is. This also means I don't think it's necessary to get an answer, or provide my own answer, to every question raised unless I think it's relevant to the crux of the complaint.

I don't think it's in dispute here that Mrs G had entered an unarranged overdraft position in December 2024. I can see Monzo sent Mrs G correspondence about this, asking her to make a payment, but the first payment I can see being made into the account was on 1 March 2025.

Monzo sent Mrs G an email on 3 February 2025, letting her know of its intention to close her account. The email asked that Mrs G pay the arrears amount or she could talk to Monzo to make a repayment plan. The email states that the account will close if Mrs G doesn't get in touch.

I can then see some back and forth between Mrs G and Monzo between 4 February and 16 February on the webchat about a budget assessment. Then on 17 February, Monzo agreed to stop interest being applied to the account until 17 May 2025. In my view, the communication on this day, is what has led to Mrs G being unclear about what she needed to do. But ultimately, I can see the following happened during the chat:

- Monzo offered to freeze interest until 17 May 2025.
- Monzo would report to the credit reference agencies that she is in an arrangement to pay, and it might report that she's in arrears, all of which might affect her credit score.
- Mrs G would need to respond to any future communication it sent her otherwise it might end the arrangement.
- Mrs G responded to say *"That's great. So the only thing is is [sic] that I have to clear the overdraft before 17th May and I won't get referred to anything is that right?"*
- Monzo replied and explained that she was over her overdraft limit and had been since November 2024. Being above the limit would mean arrears would be reported to the credit reference agencies.
- Mrs G confirmed she understood.
- Monzo explained that it had set up the arrangement and this didn't change the terms and conditions of the account. It said *"Even though you are in an arrangement, your overdraft is still repayable on demand. We could still remove or reduce your overdraft immediately and ask you to repay the full amount or a part of what you owe with at least 30 days' notice. If you don't pay the full amount you owe when we ask you to, we'll report you as 'defaulted' to the credit reference agencies."*
- Monzo confirmed she hadn't, at this stage, defaulted.

I have only summarised what happened here, but in my view, these are the main points. It's probably worth noting here what while Mrs G seems to be of the view that she had agreed to pay £21.96 a month, and that she needed to repay what she owed before 17 May 2025, I think she has misunderstood the arrangement. The arrangement was that Monzo would

freeze interest until 17 May 2025 – and that if Mrs G could afford to make a payment, then she should. But there was no requirement for her to pay anything at all, given that the result of her budget assessment showed she didn't have available funds after her outgoings. The £21.96 Mrs G has referred to is the amount Monzo said it would apply to her account in interest charges as a result of interest that had accrued up until the arrangement had been entered into.

Importantly here, I haven't seen anything that states Monzo confirmed Mrs G's account wouldn't default. Mrs G also didn't ask Monzo if the arrangement would cause her account to default, I can understand why she might have thought she asked this question, but she hasn't set it out like this, and Monzo responded to let her know that arrears would be recorded; not that she wouldn't default. The information I've seen is clear in stating that it could still remove the overdraft and ask her to pay the full amount providing 30 days' notice, and if this wasn't repaid, the account could default.

Over two weeks after the arrangement was put in place, on 6 March 2025, Monzo sent Mrs G an email letting her know that she was £105.98 over her agreed overdraft limit and that it would default her account. It said that she could avoid this happening by setting up a plan. And, in bold writing, said that "*if we don't hear from you by 5 April 2025, we'll close and default your account*". In my view, this email is very clear in letting Mrs G know that Monzo intended to default her account if it didn't hear back from her.

I can see that after this, Monzo sent Mrs G another message on 19 March 2025, asking if her circumstances had changed, and not to reply if nothing had changed. I accept that this message implied Mrs G didn't need to get in touch again if nothing had changed – while I can understand why Mrs G might have taken this as there was nothing she needed to do, the default notice was still very clear that it would default her account if she didn't get in touch by 5 April 2025.

I can see that Monzo has accepted that some of the information it sent her wasn't clear and so it's agreed to pay her £50. I think this is fair in the circumstances. I do think that Monzo could have done more to understand what Mrs G was asking when she said "*I won't get referred to anything is that right?*". Understanding this question could have helped it provide Mrs G with a better answer. That being said, in my view, the main crux of the matter, the information about the default, was clear. I say this because there is nothing in Monzo's communication with Mrs G that suggests she wouldn't default with the arrangement in place – in fact, the communication says it could still default her. The default notice is clear saying that if it didn't hear from her by 5 April 2025 the account would default. Mrs G didn't get in touch, and so action was taken to default the account.

I accept that Mrs G has been in a difficult position financially. I can understand that this must have been really difficult for her. Especially given that she wasn't working at the time due to being on maternity leave. While I have every sympathy for Mrs G in relation to the situation she was in, I'm satisfied that Monzo has tried to help Mrs G by putting an arrangement in place to freeze interest on the account. And I'm persuaded that Mrs G has been treated in the same way it would have treated others in a similar position experiencing reduced income.

I'm also very sorry to see about how the default has affected Mrs G's health. But I can only ask Monzo to put something right, where it has done something wrong, and for the reasons I've explained, I'm satisfied that Monzo followed the correct process when it defaulted Mrs G's account. And I'm satisfied that the information provided to her about the default and the arrangement it had put in place were also clear, albeit, I appreciate it appears this might have been misunderstood by Mrs G.

My final decision

For the reasons set out above, I don't uphold Mrs G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 15 December 2025.

Sophie Wilkinson
Ombudsman