

The complaint

Mr G complains Monzo Bank Ltd (“Monzo”):

- Restricted access to his account and requested he completes ID verification
- Recorded defaults in relation to Mr G’s outstanding overdraft balance, Flex and loan accounts
- Failed to put a hold on his accounts due to his physical and mental health
- Didn’t allow him to make agreed payments towards his loan and Flex account due to the account access issues it put in place which resulted in him missing payments
- Provided poor communication in relation to the device issue, and lost his data related to the ID verification information he’d sent
- Failed to provide all the information when making a Data Subject Access Request (DSAR)

To put things right, Mr G wants his outstanding debt written off, his defaults and adverse credit file markers removed, and proportionate compensation for the substantive distress and inconvenience he’s suffered.

What happened

The details of this complaint are well known by both parties, so I won’t repeat them again here in detail. Instead, I’ll focus on setting out some of the key facts and on giving my reasons for my decision.

In 2022, Mr G started faced difficulties in paying off his credit commitments. Mr G had three credit facilities with Monzo: a Loan, a Flex account, and an overdraft on his current account.

These accounts were later defaulted, and Mr G couldn’t use his normal/original device due to Monzo’s security concerns with it. Mr G also asked for a DSAR – which he says wasn’t properly processed as not all the information to date was provided. And later, in relation to another DSAR request, Mr G was unfairly told to provide proof of ID which he did, but Monzo didn’t act on. The heads of complaint are referenced above, so I won’t detail them again here. Unhappy, Mr G complained. As he remained dissatisfied with Monzo’s responses, he referred his complaint(s) to this service.

One of our Investigator’s looked into Mr G’s complaint. They defined the complaint in that Mr G was unhappy Monzo froze his account, and he was told on several occasions to send ID verification, but this didn’t resolve the issue. So, because of this Mr G was late in making his payments and couldn’t access his bank account. Also, that Monzo’s customer service was poor, and it defaulted Mr G’s account despite him trying to set-up a repayment plan.

That Investigator recommended Monzo’s offer was a fair resolution of the complaint. In summary, they made the following key points:

- Though Mr G was frustrated at being locked out of his device, Monzo explained in a timely manner this was due to security reasons, and he wouldn’t be able to use that device to complete identity verification and access banking services. But Mr G

- continued to use that device despite being told he couldn't. This isn't Monzo's fault.
- Mr G hasn't shown how his DSAR raised in June 2023 wasn't completed by Monzo fully. Mr G also raised another DSAR in January 2024, but this wasn't done as he didn't complete the ID checks Monzo asked him to. Monzo followed its procedures correctly. And as Mr G was using the device he was told not to, Monzo wasn't receiving the selfies Mr G was sending.
- Mr G complained about sending a budget assessment, but they can't see one was sent.
- Monzo's offer to remove the default marker for the overdraft as a gesture of goodwill is fair.

Mr G didn't agree with what our Investigator said. In summary, he made the following key points:

- He was locked out of the Monzo app from the summer of 2023 until January 2024
- Mr G was aware Monzo told him to use another device, and he subsequently tried to verify himself on several other devices. Mr G used Monzo's chat service to inform it that the process still wasn't working. Monzo would respond several weeks later, and he couldn't keep using other people's devices
- Mr G questioned if Monzo had submitted any evidence that he hadn't provided proof of ID. And as it happened through the app, Mr G doesn't have any evidence of what he did. Mr G reiterated Monzo sent him incomplete information for the DSAR he'd raised
- All budget assessments were completed via the link Monzo sent Mr G
- Removing a default that was applied due to Monzo's delays and lack of appropriate engagement doesn't resolve the emotional or financial distress he's suffered
- Mr G wasn't told clearly and expressly that he needed to verify his identity from another device to his own

As Mr G was unhappy, his complaint was passed to another of our Investigators to look into. They recommended the complaint was upheld in part. In summary, they made the following key findings:

Default in relation to overdraft

- The chat transcripts provided show that throughout 2022, there were several occasions whereby Monzo checked Mr G required support with his overdraft and informed him he was over the limit. In February 2022, Mr G acknowledged Monzo's offer of support – and said he needed help with his overdraft and other products. Mr G was provided 'breathing space' to the products he held for 30 days
- Throughout 2023, conversations were generally about Mr G's changing financial circumstances. In May 2023, Mr G expressed he needed help with his overdraft so he could deal with other financial commitments. Monzo adequately supported Mr G and requested he complete budget assessments. Mr G did do this, but Monzo had concerns his proposal was unaffordable, so it questioned him further
- Mr G focused his efforts to put an arrangement in place in relation to his other products and not the overdraft. In July 2023, Mr G told Monzo he was okay with his overdraft
- In August 2023, Monzo notified Mr G he was over his overdraft limit. Mr G responded that he wanted to set up repayment plans for his other products. Monzo asked for a budget assessment and questioned if Mr G's proposal was affordable.
- Mr G agreed to a repayment plan for his other products and a promise was made to pay towards his overdraft by September 2023. Subsequently, no evidence of any payment has been seen

- It's clear there was some miscommunication between both parties regards the budget assessment being sent. But Monzo say it never received one. In March 2024, Monzo applied a default against Mr G for the overdraft. Monzo's offer to remove the default is far and reasonable – and it doesn't need to do anything further in relation to the overdraft

Access to account

- Mr G says he started experiencing access issues in the summer of 2023. Based on the evidence provided, this wasn't because of any blocks Monzo had applied. Later, around October 2023, when Mr G experienced further issues, Monzo explained this was because of concerns it had about the device being used – and he would need to complete ID verification using another device
- Mr G says the chat messages said he had to use a different device, but didn't say he couldn't use his device at all. But Monzo explained that Mr G couldn't use the device for ID verification – and a different device had to be used
- Mr G isn't disputing he continued to use the barred device – and this is what caused the issue Mr G had of accessing his account

DSAR

- Monzo say it sent emails to Mr G in January, February, and March 2024 asking him to provide a selfie containing both his face and ID. Monzo said Mr G didn't respond and following this his DSAR was cancelled. In April 2024, Mr G followed up on his DSAR, and a new one was raised following the old request being cancelled. Mr G had to go through the identity verification check. Monzo said it didn't receive this from Mr G. Mr G has said he completed the ID verification. It's unclear from the evidence provided if the ID process was completed
- Mr G says he wouldn't complete further ID verifications until Monzo could explain where his previous submissions had gone. It's not clear what happened, and Monzo isn't satisfied it received the ID verification. So, Mr G should raise a new DSAR and complete the ID verification steps as asked. He should also not use the blacklisted device to do so

Impact and redress

- Mr G says Monzo's actions have impacted his health, and the stress of the situation has exacerbated his existing medical condition. It's clear from contact with Monzo that Mr G was trying to manage his financial circumstances – and he was trying to manage other credit facilities with Monzo. But Monzo's actions are not the sole reason for the impact to Mr G
- Monzo recognised there were delays and offered £20 compensation. After reviewing the chat messages, there were unreasonable delays made by Monzo. Though this wouldn't have led to any change with the default being applied, it would have caused Mr G distress and inconvenience. Some inconvenience would also have been caused by not getting all the initial DSAR information as requested
- To put things right. Monzo should remove the overdraft default as offered and pay £150 compensation altogether for the distress and inconvenience caused for the failings identified

Mr G didn't agree with what the Investigator said. In summary, some of the key points he made were:

- There have been several attempts using different devices to regain access to Mr G's account. Despite using the chat service to contact Monzo, including its specialist

team, and to make a complaint about having to use an alternative device, at times there were several weeks of delays and Mr G couldn't maintain using somebody else's phone. Nor did he feel comfortable doing this on another's phone. Mr G used three different phones and a laptop around that time

- Monzo claim Mr G never submitted ID verification, but he questions how it could still therefore have sent an incomplete DSAR. Asking for ID verification further was an attempt to cover up Monzo's errors and prevent Mr G making a complaint
- As a result of locking Mr G out of the account and refusing to take payment for his loan and flex accounts, his credit has been negatively impacted. The chat messages show Mr G made several attempts and offered flexible options to affect repayments
- Monzo have made errors and failed to properly administer not just the overdraft facility, but two other lines of credit – a loan and Monzo Flex account. All three accounts should be corrected and defaults removed

In response, and in summary, our Investigator said:

- There's no dispute Mr G used other devices, but that he reverted to his original one – which cannot be used
- Though Mr G felt uncomfortable using another person's device, Monzo did nothing wrong in not allowing him to use the barred one
- The compensation recommended reflects the impact of Monzo sending a partial DSAR and saying ID needs to be submitted for the subsequent one
- Requiring ID to access the account was fair. The complaint only deals with the overdraft and Mr G would need to complain to Monzo separately about the other products

In response, and in short, Mr G made the following key points:

- Monzo didn't say Mr G couldn't revert to his old device only that he needed to authenticate his ID from another device. Mr G did this and submitted evidence it wasn't working. Mr G was advised to stay logged in and wait for the specialist team to contact him – but he had to wait over six weeks for a response
- During this time no alternative means to repay the debts was offered despite Mr G asking. Monzo refused to direct payment from Mr G's account and to provide any support for him to access his account
- The reasons for Monzo barring Mr G's device haven't been shared only that it was for security reasons
- Mr G shared that he thinks Monzo lent irresponsibly to him, that he has a neurodiverse condition, and he spent funds on crypto and gambling. And that Monzo should've picked up on his behaviour
- Monzo failed to follow the ICO's (Information Commissioner's Office) in dealing with a DSAR. In that, it's unreasonable to request ID verification if there's adequate proof of speaking to the person information is held on. Monzo were happy to speak on the chat with Mr G and share confidential information – but when he asked for a DSAR the ID verification was asked for. No alternative method for ID verification was offered by Monzo either

Our Investigator also clarified what Mr G was complaining about and asked both parties for more information – including in relation to the complaint points Mr G raised about the other credit products he had with Monzo, and with not being provided account closure statements.

Monzo sent this service several final response letters it had sent to Mr G as part of his complaint(s). For ease of reference, and pertinence to the rest of the decision, I will summarise them here:

16 February 2023 response

- *Flex and overdraft support:* Monzo made an error which meant Mr G had to wait longer than he should've for a response. Monzo is sorry about this. Monzo has sent Mr G a link to complete a budget assessment on 3 February 2023 to help with making a payment arrangement.
- *Breathing space:* Monzo has applied this to Mr G's overdraft, Loan and Flex accounts until 5 March 2023 while he completes the budget assessment. This will help Mr G to focus on what to do next without receiving messages from Monzo about missed payments. If Mr G remains beyond his overdraft limit and misses payments towards his loan or Flex accounts, Monzo will need to let credit agencies know.
- *Customer Service:* Mr G was unhappy messages Monzo sent him related to the loan and Flex accounts were generic and repetitive. Monzo sends these messages to ensure it is reaching its customers and didn't do so to cause upset but appreciate they could be stressful. Monzo made an error when helping Mr G with his financial situation as it paused his conversation without escalating the matter to the relevant team which meant he didn't get a response for 11 days when he got in touch.
- *Putting things right:* Monzo would like to pay Mr G £70 for the upset and inconvenience it caused.

16 October 2023 response

- *Securing Mr G's account:* Mr G is unhappy with the process and time taken to confirm his identity on a new or different device. But Monzo was complying with its regulatory obligations by verifying Mr G's identity on a new or different device. During the process it was important for Monzo to ensure the account remained frozen until the security process was completed. Mr G was informed that because of its security process, Mr G would not be able to use his current device to complete ID verification or use the Monzo app. There were some delays in responding to Mr G through the chat function due to increased demand on Monzo's services.

10 January 2024 response:

- *Access to Mr G's account:* Monzo has followed its internal processes correctly in terms of Mr G's access to his account through the app since October 2023. On several occasions Monzo's specialists have reached out to Mr G to ask he remains logged on from a different device, as this wasn't done, Monzo couldn't progress the matter.
- *Loan and Flex payments:* Monzo appreciate Mr G didn't have another device to log on with on a permanent basis. But as Mr G was able to log on with different devices, he should have been able to manage the accounts to ensure payments were kept up to date. Mr G requested Monzo make manual payments in October 2023 to his loan, but this isn't something it can normally do and Monzo reached out to Mr G to assess what help it could provide but there was no response.
- *Call back requests:* Monzo's manager attempted to call Mr G on the 6 November 2023 following his request for a call on 31 October 2023. Monzo also messaged Mr G on 11 November 2023 to find a convenient time to speak to him. Monzo hasn't made any errors.

8 May 2024 response

- *Overdraft default:* Monzo acted in line with its internal procedures when defaulting Mr G's overdraft account. Mr G had fallen into arrears and failed to clear or set up an arrangement prior to the default being registered. Mr G reached out to set up a repayment plan and was asked to complete a budget assessment in February 2024.

Monzo applied 'breathing space' to Mr G's account on 14 March 2024. Monzo advised Mr G to get in touch with it to complete the budget assessment, but Monzo didn't receive the assessment nor hear from Mr G until 18 March 2024 following the application of the default on 16 March 2024.

- A default notice was sent to Mr G on 10 February 2024 in which he was informed contact Monzo before 11 March 2024 to arrange a plan to repay what he owed. As the overdraft balance remained outstanding without an arrangement in place, Monzo had to default the account.
- Monzo would like to credit £20 to Mr G's account as a gesture of goodwill as there were some delays in its responses to Mr G.
- *DSAR*: The DSAR was processed in line with Monzo's processes. Monzo requires a customer raising a DSAR to confirm their identity to ensure the security and confidentiality of personal data thereby protecting privacy and preventing unauthorised access. Monzo's DSAR team reached out to Mr G through January 2024 till March 2024 to provide a selfie with his photo ID – but a response wasn't received. Monzo also notified Mr G if it didn't hear from him by 3 April 2024, it would deem the DSAR as cancelled. As Monzo didn't hear the DSAR was cancelled. Mr G contacted Monzo on 15 April 2024 and was told he would need to provide the ID verification as previously requested to initiate the DSAR, but this wasn't received.
- *Other points*: Mr G has mentioned his Monzo Flex account being defaulted, though not necessarily part of his complaint. The Flex account was defaulted in July 2023 following a default notice being sent in June 2023.

After looking into the information both parties provided, our Investigator made the following findings and recommendations:

What this service can't consider

- Monzo sent its first two final responses letters in February 2023 and October 2023 to Mr G. He had six months from the date of issue to refer these complaints to this service. So, Mr G had until August 2023 and April 2024 to refer these complaints to this service. As he referred these complaints to this service in May 2024, he has done so outside of the six months' time limits that apply. As Mr G continued to raise further complaints with Monzo after the issue of those final responses and within the six months' period, exceptional circumstances don't apply
- This means we can't consider any complaint about (i) the support Mr G received regarding his flex and loan repayments and; (ii) the process and time taken to confirm Mr G's identity from a new/different device

What this service can consider

- Monzo has consented to this service looking into the complaint points about defaults being applied against the loan and Flex accounts
- Account restrictions, requirement of ID verification, defaults applied on current account for overdraft, and issues with DSAR

Defaults

- Throughout 2022 there were ongoing conversations between Monzo and Mr G about making repayments on his loan and Flex accounts. All the conversations followed a similar pattern of Mr G indicating he could make a small payment or that he intended on clearing the balance, but this didn't happen
- Mr G missed payments between October 2022 and March 2023 on his loan. And he was notified formally by letter it was due to default. Mr G was told he would need to

repay or get in touch by May 2023 to arrange a repayment plan, otherwise a default would be applied

- Monzo continued to get in touch with Mr G about his loan and Flex accounts into 2023. And in May 2023 the loan was defaulted at which point he hadn't repaid the outstanding balance nor set up an arrangement
- Later, around May 2023, Mr G asked Monzo if he could set up a repayment plan for his loan and Flex account to start in July 2023. Monzo fairly applied a default to Mr G's loan account – so it doesn't need to take any action
- In June 2023, Monzo also formally notified Mr G his Flex account was due to default. Mr G was similarly given till the end of July 2023 to pay off his debt or discuss a payment arrangement. Conversations between both parties carried on throughout 2023. The Flex account was defaulted in July 2023. Mr G had indicated he wanted to setup an arrangement plan, but one not being in place wasn't solely because of delays in Monzo responding. Monzo has applied this default fairly too. Mr G's personal circumstances did mean he was taking steps regarding other areas of his finance, but the default isn't a result of him trying to manage his circumstances. Monzo attempted to find a long-term solution and as it couldn't the default was the rightful next step
- As Monzo applied 'breathing space' to Mr G's lending products, it didn't fail to apply 'holds'

Access to account

- Mr G says due to the issues he had accessing the accounts he was unable to make the agreed payments towards his loan and Flex which then resulted in missed payments. But these issues didn't stem from an error caused by Monzo. So Monzo doesn't need to take any further action in relation to the missed payments

Missing data from the ID verification

- Monzo has been unable to evidence the verification requests Mr G said he submitted other than the one from when the account was opened. The chat messages indicate Mr G was having issues with submitting the ID verification. As Monzo did process a DSAR, albeit Mr G says it was incomplete, this shows it did receive ID verification on at least that occasion. The information available only supports Monzo made requests to Mr G to complete other ID verification

DSAR

- Mr G raised a DSAR in July 2023 for a copy of his account notes. This was acknowledged and sent by Monzo
- Mr G raised a DSAR in January 2024 requesting all chat history and emails. Monzo acknowledged this and said it had a month to do so. Monzo contacted Mr G in March 2024 and said it needed him to carry out the ID verification process. Monzo made several requests for Mr G to do so thereafter until May 2024 at which point Mr G expressed concern about previously submitted ID verification information. And he wouldn't now complete this step until Monzo explained what happened with his previous submissions
- In April 2024, Monzo said it needed the ID to process Mr G's DSAR. Mr G said his solicitor had advised him not to do so until Monzo explained what happened with the previous submissions. In June 2024, Monzo reiterated its stance. It's clear at this point the relationship between both parties had broken down
- Monzo failed to provide the expected level of service with Mr G's DSAR request – but the request for the ID verification wasn't unreasonable

Impact and redress

- Monzo's actions aren't the sole reason for the impact to Mr G has explained. Monzo accept there were delays in its responses and offered £20 compensation. Having reviewed the chats, there were occasions of unreasonable delays on Monzo's part. This would have caused Mr G distress and inconvenience
- To put things right, Monzo should remove the default marker on the overdraft, pay £130 compensation for the distress and inconvenience its delay in responses and DSAR processing caused to bring that total to £150. And as further delays and service failings have been found, Monzo should pay £230 on top of the £20 already offered bringing the total compensation now to £250

Mr G didn't agree with what our Investigator said. In short, the key points he made, which he hadn't previously were:

- Every single complaint Mr G opened with Monzo weren't all encompassing, that's why he kept opening complaints to ensure his issues were fully reviewed and he could escalate everything in one go
- There's been no acknowledgement that whilst Mr G's account was frozen, he repeatedly asked Monzo to take payment from his account but it refused
- Mr G sent countless emails and messages to make a payment arrangement when served with a default notice. Mr G accepts he was behind but asked Monzo to set repayment arrangements up before the defaults were applied
- Mr G asked Monzo to hold the accounts until this matter was resolved, but it didn't
- Given the ICO guidelines, and as Mr G had previously supplied ID verification to get a DSAR, Monzo didn't need to ask for ID verification again

Our Investigator responded that their outcome explained the timeline of events and why they couldn't consider some parts of the complaint(s); they had considered the application of all the defaults; and the compensation they recommended considered the failings with the DSAR.

Mr G then itemised some of his key complaint points. I'd like to assure him that I've carefully reviewed this submission even if I don't expressly set it out here in detail. The key points in summary, and pertinent to the merits of this complaint against Monzo are:

- Three lines of credit have been impacted by Monzo blocking Mr G out of his account and subsequent closure of his account once he'd followed its advice to use another device. Monzo's communication around this was unclear and confusing
- Monzo didn't inform Mr G at any point that he wouldn't be able to use his original device indefinitely saying he just needed to verify his identity on another device. These delays affected Mr G's financial stability and mental health
- Monzo refused to take money to pay towards his debts, he couldn't use his accounts nor would Monzo put a hold on his accounts, and there were substantive delays with responses. It was unfair for Mr G to be penalised for Monzo's inappropriate provision of support
- Monzo unfairly penalised both Mr G and his mother for doing what it said as he was using her device to log onto his account
- Monzo took too long to respond to Mr G's concerns which caused further adverse implications and negative credit file reporting
- Financial statements were not provided when the accounts closed
- Monzo employed delay tactics for the DSAR and were fixated on the ID verification request which he had completed previously, and which Monzo had lost. Monzo didn't need to do this as it had enough information to verify Mr G's identity in line with ICO

guidelines

- Monzo ignored Mr G's requests and concerns about his financial situation and health – and continued to take actions to affect them even after he had told it about this

As there was no agreement, this complaint has been passed to me to decide.

What I can't consider

The rules say that, where a business doesn't consent, I can't consider a complaint which is referred to us more than six months after the date it sends the complainant its final response letter advising they can refer their complaint to our service. The rule 2.8.2R (1) can be found in the Dispute Resolution (DISP) section of the FCA's handbook.

Monzo sent two final responses dated February 2023 and October 2023 which respectively dealt with (i) the support Mr G received regarding his flex and loan repayments and; (ii) the process and time taken to confirm Mr G's identity from a new/different device.

Mr G referred his complaint(s) to this service in May 2024. That means Mr G has referred his complaint outside the six-month time limit I must apply. DISP 2.8.2 R does go on to say that I can still consider a complaint if a complainant hasn't met the time limit if exceptional circumstances apply. An example of this would be where the complainant has been incapacitated. Given Mr G was still actively able to communicate with Monzo within the six-month referral period for each of the respective final responses, I'm satisfied he could have referred his complaint(s) to this service. So, I don't think exceptional circumstances apply.

That means I cannot make a finding on the support Monzo provided for the Flex and loan payments and the process, and time taken to confirm Mr G's identity from another device. It should be noted that due to the complexity and inextricable nature of Mr G's complaint that these matters may be discussed later for contextual purpose.

What I've decided – and why

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything Mr G and Monzo have said before reaching my decision.

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've decided to uphold this complaint in part. I'll explain why.

Default markers, payment arrangements, and support

Credit providers, like Monzo, won't record an account as being in default just because one payment has been missed. There will usually be a trigger point – perhaps when the account is three months behind and payment reminders have been sent – that prompts the provider to take further action. This will generally involve sending a default notice to the customer. The notice gives the consumer a deadline to pay any arrears. If the consumer doesn't pay

the arrears by the deadline the creditor will default the account and record it as such with credit reference agencies.

An arrangement to pay is an arrangement between the consumer and the creditor to formally agree payments that are less than the contractual amount. These are generally intended to be short term, but if they are going to be longer than a few months then the creditor needs to review the suitability of the arrangement at regular intervals - typically every three to six months.

If the consumer enters an arrangement to pay, then a default wouldn't normally be registered unless the terms of the arrangement are broken. Sometimes a consumer will only be able to make token repayments towards a debt. In these situations, the creditor will still accept these payments but it's rare for this to be a formal payment arrangement. In those instances, the creditor is entitled to continue with its usual collections and recoveries process and treat the account in default if it is sufficiently in arrears.

A creditor must also send a default notice as part of its obligations under the Consumer Credit Act 1974 before defaulting the account.

Overdraft

Monzo has offered to remove this default. Given the communication issues and delays in responding, I'm satisfied this is a fair outcome for the current account. I don't find any basis for Monzo to write off Mr G's debt in the way he has said given he has benefitted from the funds he is being held liable for. I will also consider the poor communication issues when weighing up what fair redress is for the distress and inconvenience caused to Mr G later in my decision.

Flex and loan accounts

Monzo has shown me that Mr G's Flex and loan accounts had fallen into arrears to the point a default notice was warranted. Monzo has also sent me copies of the default notices which I'm satisfied show it met its obligations in respect of what it must send.

I've also been sent the app chat messages which show Mr G had started falling into financial difficulty in 2022, and that there was then an ongoing pattern of him contacting Monzo to make an informal arrangement to pay his debts but then failed to do so. I note that there are at times significant delays in Monzo responding and there being repetitive messages about the arrears. Having said that, Monzo had made it clear Mr G should look to make a formal payment arrangement for the Flex and loan accounts, and to do so he should complete a budget assessment.

Having looked closely at the chat and other evidence provided, I can see the loan account was defaulted in May 2023. The chat messages preceding this also show Mr G couldn't make a viable arrangement around that time due to his circumstances, which I note deteriorated during this period including as Mr G had to move in with his parents. So, I'm satisfied Monzo had grounds enough to apply the default for the loan – and therefore did nothing wrong in doing so.

The Flex account defaulted on 30 July 2023 and the notice was given a month earlier.

Having looked at the technical information I've been provided, I note:

- Mr G asked to discuss his options regards the Flex and loan in April 2023 and suggested he could make payments but small amounts that month. He added he could make regular payments but not what Monzo was requesting. Later, Mr G said

he was catching up with priority payments but needed a month to repay those after which he'll make regular payments

- In May 2023, Mr G says he had to move in with his parents while he finds somewhere to rent, and that he's hoping to 'be back on his feet' by July 2023 and return to making payments. Mr G offers to make payments from July 2023 as his repayment plan, and asks for the default to be held back
- In June 2023, Mr G asks for updates and for someone to call him as he is concerned about the delays in communication. He adds that he can utilise funds from working extra shifts and the money saved from living with his parents. Mr G offers to pay £100 from the 1 July 2023. Monzo make several attempts to contact Mr G by phone but are unsuccessful in doing so
- In July 2023, Mr G apologises for missing the callbacks and says he can be contacted in the evening. Mr G says he has been working lots around that time and he is hoping to pay off most of the loan if not all of it and maintain regular payments to the Flex account but won't be able to do so until after 24 July 2023. Mr G affirms that he wants to stop his Flex account defaulting. When asked about completing a budget assessment on 11 July 2024, Mr G says he's sure he's completed one before and if it was possible to pay £100 a month for both the Flex and loan accounts. He was declined the use of his Flex account any further and later clarified he'd like to pay £100 a month to the Flex account
- On 25 July 2023, Mr G is asked to complete questions about his circumstances. Mr G says he isn't behind with priority payments and that he's answered these questions before. Mr G adds that there hasn't been a change in his income
- On 30 July 2024, Monzo asked for the completion of a new up-to-date budget assessment for a clearer picture of Mr G's income and expenditure. Mr G said he was happy to complete this. He added that the matter needs to be resolved on the day as he has been attempting to set-up a payment arrangement for two weeks. Mr G expresses his dissatisfaction with the delays in Monzo's responses. Around 15 minutes later Mr G is informed on the chat that his Flex account has been defaulted
- Mr G complains, and on 4 August 2023 Monzo inform him that with regards to the defaults, if it is able to to agree a repayment plan for both the Flex and loan, Monzo can look to get the default 'suppressed' for him
- On 20 August 2023, Mr G completed the online budget assessment. This was reviewed, and on 21 August 2023 Monzo said that following a review of the assessment it shows there's no money left to put towards repaying his overdraft, loan and Flex accounts – and that its in defecit of £7. Monzo also asked if this impacted upon Mr G's ability to repay his priority bills. Mr G responded that this was the correct position for that month, and then payments to his other creditors would reduce slightly due to arrangemnts he's reached with them. Monzo asked Mr G to edit his budget assessment to refelct a more 'common monthly outgoing'. Mr G says he was having issue doing so on the link provided
- On 27 August 2023, Monzo message Mr G and say it can see he has offered £100 towards his Flex and loan, and before Monzo can go ahead it has more questions about his budget assessment. Monzo said Mr G was spending less than it would expect in areas such as 'food and home' (£180) and 'personal costs' of £40 – and questioned if these figures were accurate. Monzo said it was asking as it doesn't want any payment arrangemnt to get in the way of Mr G's essential costs. On 28 August 2024, Mr G said he could afford the £100 and wants it setup from 24 September 2024. Monzo's agent thanks Mr G for confirming the £100 is affordable and says they will look at getting something setup from 24 Septmber 2023. But before they can do this, if Mr G could answer their questions about his low 'flexible spending'. Mr G says he has budgeted and isn't spending much on personal things like clothes or to buy things for the home – and that £180 is for food

- Mr G is then asked how he would like to divide the £100 between his loan and Flex accounts. Mr G says £50 each and where possible he will make additional payments

Having carefully reviewed the above timeline and available evidence, I note Monzo's customer service and communication was particularly poor as it was still discussing making a viable payment arrangement, including completing a budget assessment, with Mr G up until and after the date the default was applied on the Flex account on 30 July 2023. Monzo then asked Mr G questions about whether his budget assessment was realistic given the low factoring of some of his living costs. I'm satisfied Monzo acted fairly and in line with good practice in asking these questions to ensure an affordable plan was made.

In late August 2023, Mr G confirms he can afford £100 a month as he'd budgeted for this. When asked how he'd like to split the £100 he says £50 each on the Flex and loan accounts. I've already said the default was fairly applied on the loan account, so I now need to weigh up if Monzo acted fairly in applying one to the Flex account.

It's clear that despite the correct steps with the default notice being sent and arrears position of the account being in place, Mr G was acting on Monzo's recommendation to prevent a default up until the date and after it was applied on 30 July 2023 by trying to get a payment arrangement in place. This, as I've said, was poor on Monzo's part. Monzo should have seen the payment arrangement process through at that point before applying the default given discussions about a viable payment arrangement were still ongoing at that point.

But I still don't think this is basis enough for Monzo to remove the marker. I say that because on one hand it's arguable the payment offered was substantively low enough to have allowed Monzo to have continued with applying the default. I'd add to that given Mr G's previous behavior of making promises but reneging and changing these, there was a high likelihood he wouldn't have kept the payments up in line with his proposal. It's equally arguable here that those failed promises were enough in of themselves for Monzo to have defaulted the account before things got to this stage.

I'm also think Monzo doesn't need to remove the default as the agreement for the £50 payment a month wasn't kept in any case. I know Mr G feels strongly about this point, as he says not being able to use his own device due to it being blacklisted by Monzo led to that arrangement failing – so he couldn't make payments from his current account to the Flex. I will consider this point next in my decision.

Access to account and device issues

Monzo has provided a detailed explanation and some supporting evidence as to why it 'blacklisted' Mr G's device. Mr G says this meant he couldn't access his banking services with Monzo unless he used a third parties device which wasn't always possible or sustainable for him to do. As a result, Mr G says he couldn't affect payments from his Monzo current account against the payment arrangement he made for his arrears.

Monzo has obligations to protect itself and its customers from financial harm, and to maintain the security of its systems. Having carefully considered Monzo's reasons for blacklisting Mr G's device, I'm satisfied it was acting in line with its obligations and so didn't do anything wrong. I know this caused Mr G detriment, but as Monzo didn't do anything wrong the onus fell on him to find an alternative way to make payment. As he didn't, he wasn't able to make the payments he promised. So, the default that was applied on the Flex account would've been applied even if Monzo hadn't have applied it in July 2023.

Mr G may argue that this is an unreasonable position, particularly as he feels it wasn't made clear he couldn't definitively use that device again nor that he couldn't use it to access his

account outside of ID verification. But based on the evidence I have seen, I'm persuaded the permanent and total block of that device was appropriate. It's understandable Mr G would want a detailed explanation and an insight into the information I have weighed to reach this finding, but Monzo is under no obligation to share this.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information Monzo has provided is information I consider should be kept confidential.

DSAR

Moving on to the DSAR, I should explain that it's not the role of our service to decide whether or not a business has breached data protection laws, which includes the content of the information disclosed in response to a DSAR - that's the role of the ICO.

That brings me to the subsequent DSAR request Mr G made for which he says he was unfairly obstructed in receiving due to the ID verification process which he didn't need to provide due to ICO guidelines, and that was a delay tactic employed by Monzo. Mr G has added that he also stopped sending ID verification due to concerns his data was being lost and based on professional legal advice.

Given the concerns Monzo had about Mr G's device, I'm persuaded Monzo acted fairly in asking for ID verification. In reaching this finding I've considered what the ICO guidelines say about needing such validation if a business can otherwise be satisfied, they are speaking to the right individual. But given the individual circumstances of this complaint, I don't find Monzo acted unreasonably – and its actions were based on protecting the security of itself, Mr G, and its systems.

Monzo say it only has the ID verification, which I understand would be a selfie of Mr G holding his ID, from when he opened the account. Neither party has been able to send me compelling or conclusive evidence of such information being submitted. Having said that, I note Mr G did likely successfully submit such ID verification for the DSAR he did receive earlier. So that likely means that Monzo haven't kept a record. I also don't see any reason to doubt Mr G did send it in given why he wanted it. So, I think Monzo didn't likely act on this. I would add too that Monzo caused significant delay here given Mr G raised this DSAR in January 2024 and didn't get a response – from the chat – until March 2024. This is poor customer service, and both these failings would've caused Mr G distress and inconvenience.

Other points

Mr G says Monzo unfairly penalised both himself and his mother for doing what it said, as he was using her device to log onto his account. I have addressed this point in relation to Mr G above. Mr G's mother isn't the eligible complainant here, so I can't consider a complaint about her.

Nor can I consider Mr G's point about not being sent account closure statements or his accounts being closed by Monzo given they haven't been raised with Monzo.

Fair compensation

I've found that Monzo should remove the default against the overdraft but not for the Flex and loan accounts. Monzo also has a responsibility to report accurate information to credit file agencies – and I haven't seen any reason why it needs to amend anything it's reported other than the default on the overdraft.

I've said in detail above that Monzo caused substantive delays in its response to several interactions with Mr G ranging from dealing with the Flex repayment arrangement, the subsequent DSAR and in handling Mr G's ID validation. Having given this considerable thought, I'm satisfied £250 is fair award for the distress and inconvenience these failings caused. In doing so, I have weighed up, and taken into mitigation, that much of the impact to Mr G was due to facing financial difficulty and the application of most of the defaults wasn't improper.

Putting things right

To put things right, Monzo must:

- Pay Mr G £250 compensation. Monzo can deduct any compensation it has already paid. Please note this doesn't include the £70 Monzo may have paid based on its February 2023 final response offer
- Remove the default Monzo applied against Mr G's current account for the overdraft on it

My final decision

For the reasons above, I have decided to uphold this complaint in part. Monzo Bank Ltd must now put things right as directed above

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 8 August 2025.

Ketan Nagla
Ombudsman