

The complaint

Miss J complains Monzo Bank Limited unfairly closed her account and demanded repayment of her overdraft.

What happened

The facts of the complaint are well known to both parties, so I will only provide a summary of the key points.

Miss J held a Monzo account, and in November 2023 Monzo conducted a review of the account. In early December 2023 Monzo reached out to Miss J regarding specific transactions on her account. Miss J responded, stating the individual in was a good friend. Monzo continued its review in light of Miss J's comments and on 5 December 2023 it issued Miss J a notice to close letter, explaining she had two months before the account would close, and should make alternative arrangements.

Miss J's account closed in early February 2024. Miss J contacted Monzo at this time regarding the overdraft on the account and the next steps. Miss J explained she was unhappy the account was showing in arrears, and Monzo explained that as Miss J was in her overdraft throughout December 2023 and January 2024 so the reporting that she was in arrears was accurate.

Following this there were multiple exchanges with Miss J and Monzo so a repayment plan could be established. Miss J was asked for income and expenditure details, and it highlighted that any repayment plan that exceeded 12 months would result in a default on the account.

During Miss J's dealings with Monzo she was asked to complete an identification verification process. Miss J felt the process in place was flawed. In particular Miss J says the process is not safe or correct.

Miss J raised her concerns with Monzo, and in its response to her concerns it explained the account had been closed in line with the account terms and conditions and it confirmed the account couldn't be reopened. Monzo stated its recoveries team had reached out to Miss J regarding a repayment plan for the overdraft and the account would default as a plan that takes more than 12 months to clear would need to be recorded. Monzo said it provided Miss J with the appropriate in relation to the debt. With regards to her security concerns, Monzo reassured Miss J that the process it has in place is secure, and it takes the security of its customer's details seriously.

Miss J remained unhappy and referred his complaint to this service. An Investigator reviewed the complaint and in summary, made the following findings:

- Monzo isn't obliged to continue offering Miss J an account, and it closed the account in with the relevant terms and conditions. Its reasons for closing the account are fair and in keeping with the account terms.
- Although Miss J has concerns about the verification process in place, it's not our

service's role to comment on Monzo's process or direct it to change how it chooses to carry out this process.

Miss J disagreed with the Investigator's review and maintained Monzo had treated her unfairly.

As no agreement could be reached, the complaint was referred to an ombudsman for a final decision.

I issued my provisional decision on 19 September 2025. As both parties have now replied, I will issue my final 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.

I've included my provisional decision below.

Firstly, I am sorry to see Miss J has had cause for complaint and the impact the account closure and overdraft issues have had on her. I will address each part of the complaint in turn.

Account closure

As a UK financial business, Monzo is strictly regulated and must take certain actions in order to meet its legal and regulatory obligations. It's also required to carry out ongoing monitoring of an existing business relationship. That sometimes means Monzo needs to restrict, or in some cases go as far as closing, customers' accounts.

In Miss J's case Monzo reached out to Miss J about activity on her account and conducted a review. Although Miss J provided responses about the account activity and its usage, Monzo still held concerns. Ultimately this review led to Monzo's decision to close her account. In its notice to close letter Monzo explained Miss J's account would close in early February 2024 – providing Miss J with the relevant notice period to make alternative arrangements.

Monzo is entitled to close an account just as a customer may close an account with it. But before Monzo closes an account, it must do so in a way, which complies with the terms and conditions of the account. The terms and conditions of the account, which Monzo and Miss J had to comply with, say that it can close the accounts by giving her two months' notice. So I am satisfied Monzo has acted fairly here and in line with the account terms.

I know Miss J would like an explanation as to why Monzo took these actions. But it isn't under any obligation to provide this. I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from regulated businesses 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 we consider should be kept confidential. But I can assure Miss J that having reviewed it, Monzo's decision to close Miss J's accounts was fair and reasonable in the circumstances.

Identity verification

A key issue for Miss J is the process Monzo has in place for customer security. When Miss J contacted Monzo to query her overdraft balance, she was asked to use email to complete the identification verification process. Miss J says this process is insecure, and Monzo

needs to have extra safe measures in place as the current system is inadequate. I've thought carefully about Miss J's concerns, and understand she thinks Monzo should change its process. Monzo has provided Miss J with assurances that its process is secure and that data protection and fraud prevention are its highest priorities when managing customer data. Miss J didn't find its response went far enough. However, I consider Monzo's assurances to be adequate, and it isn't under an obligation to detail the exact measures it has in place. I think Monzo's responses go far enough in addressing her concerns, and I wouldn't expect it to make changes purely based on Miss J's comments.

The role of this service is distinct to that of the regulator – the Financial Conduct Authority. It is not our role to comment on how businesses conduct their operations and implement regulatory and legal guidance – including data protection issues. So whilst I've thought carefully about Miss J's points, I don't consider this to be an issue that is within our remit to explore to the level Miss J would like.

Repayment of outstanding balance and default

A major issue for Miss J is the support provided by Monzo regarding her overdraft. I can see Miss J reached out to Monzo and asked how long she would have to clear her overdraft after the account closed. I can't see Monzo provided a clear response to this, and once the account closed Miss J contacted Monzo again regarding her overdraft. At this point Monzo began to provide support and information to Miss J regarding her options for repayment.

Monzo has said the lack of response to Miss J's initial queries didn't have an impact on her or the debt. I disagree with this – the notice to close letter sent to Miss J didn't reference the steps she needed to take if the account was overdrawn. Miss J pro-actively reached out to Monzo to query this. This demonstrated her eagerness to clear the debt and ensure she had all the information she needed. If Miss J was provided with clear information earlier on, I think she would've been in a better position in terms of planning the repayment of the overdraft.

In February 2024 Monzo and Miss J began a dialogue about repaying the overdraft. Monzo, as a regulated lender, is under an obligation to provide support for customers who are experiencing financial difficulties or struggling to repay an outstanding debt. In Miss J's case I can see Miss J was asked to complete an income and expenditure form. This form revealed that the amount Miss J could afford to repay on a monthly basis meant she would need more than 12 months to clear the overdraft.

Miss J was keen to avoid a default marker on her credit file, but Monzo explained that a plan that would be in place for 12 months or more would result in a default. Ultimately when an account is in arrears a lender can register a default, even if an arrangement to pay or some other temporary arrangement has been agreed. So given its regulatory reporting duties I think Monzo has acted reasonably in explaining this to Miss J and outlining the amounts that she would need to repay in order to avoid a default.

Miss J has also raised concerns about his ability to make payments towards the outstanding balance and the pressure this has placed on her. I can see throughout the process Monzo highlighted to Miss J that the amount she needed to repay per month to avoid a default. I understand Miss J felt she was pressured at this time to pay more than she could afford. It seems Miss J's overriding priority was avoiding a default as she was planning on applying for a mortgage. I appreciate the conversations she had with Monzo would've been stressful, but I can't see that it acted unfairly in clearly outlining the amount that Miss J would need to repay to successfully repay the overdraft without any negative consequences.

Overall, I do think Monzo should've taken more pro-active steps when Miss J's account

closed to support her repayment of the overdraft. However, once Miss J and Monzo began discussing repayment, I consider its actions, and the support provided to be reasonable. In its submissions to this service Monzo has offered Miss J £50 in recognition of its service failings. After considering the impact on Miss J, I don't consider £50 to be an adequate offer given the delays experienced and gaps in the service provided. Based on the evidence I've seen I consider an award of £150 to be a fair reflection of the impact on Miss J, and in keeping with this service's approach to compensation.

Responses to my provisional decision

Monzo responded to my provisional decision and accepted the recommendations.

Miss J responded explaining Monzo has blacklisted her, and she is unable to open a standard account. Miss J has asked for the account to be reopened and feels the £150 compensation isn't enough.

I've thought carefully about Miss J's comments. Firstly, Monzo has confirmed it hasn't recorded any negative markers against her name. This means any issues Miss J is experiencing with accessing banking services may be related to other issues, not due to Monzo's decision to close her account.

With regards to the compensation I have recommended, I appreciate Miss J feels this is inadequate. Reaching an award for distress and inconvenience is seldom straightforward. The issues involved are subjective by their very nature and the impact on the consumer can be difficult to determine. Our awards are not intended to be punitive for businesses, and their fundamental aim is to recognise the impact on a consumer where there have been shortcomings. Having considered the timeline of events, I think the compensation offer of £150 to be fair.

I say this because the key issue here is the lack of communication from Monzo when the account first closed. This impacted Miss J's ability to engage in a repayment plan. However, once the account closed and Miss J and Monzo began discussing options, I consider Monzo's responses to be swift and effective. I therefore don't consider an increase in the compensation to be appropriate.

I'm sorry this isn't the outcome Miss J hoped for. While the amount of compensation isn't what she was looking for, I do hope my final decision provides some clarity around why I won't be asking Monzo to take further steps than those already outlined.

Putting things right

I direct Monzo Bank Ltd to put things right as outlined below:

- Pay Miss J £150 in total for the distress and inconvenience caused to her by its service failings.

My final decision

I uphold this complaint in part. I now direct Monzo Bank Ltd to put things right as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 22 October 2025.

Chandni Green
Ombudsman