

The complaint

Mr W has complained that Monzo Bank Ltd unfairly closed his account.

What happened

Mr W had an account with Monzo, with an overdraft limit of £500. In May 2025, Monzo received a bankruptcy proposal from the Insolvency Service, and told Mr W that, if the proposal was confirmed, it would default and close the account.

Mr W explained that, in fact, the bankruptcy had already been discharged, and Monzo then received official confirmation of this. It also discovered that the overdraft had been included in the bankruptcy, back in April 2024. Because of this, it wrote to Mr W and said:

“We’ve received confirmation that you’ve entered a legally binding debt arrangement, which means that we believe your overdraft product is no longer fit for purpose. Under the terms of your overdraft agreement, we have the right to reduce or remove your overdraft immediately and demand early repayment of your overdraft balance.”

Monzo then refunded all overdraft interest accrued from the date of bankruptcy acceptance to the date of the account closure (as it closed the account), and wrote off the remaining balance. It also updated Mr W’s credit file, to show the bankruptcy and closure.

Mr W raised a complaint on 3 July 2025, and Monzo acknowledged it on 8 July 2025, saying it would issue a final response by 28 August 2025.

One of our investigators looked into what had happened. She said that Monzo had never agreed to keep the account open. However, it did contact Mr W about setting up a repayment plan for the overdraft, and she noted this wasn’t appropriate, as ‘breathing space’ protections would have been in place. She could also see that a letter confirming the default was sent to Mr W on 3 July 2025 – but failed to explain that the default had been backdated and the remaining overdraft balance written off. She said Monzo should have clarified this, and told him to disregard the request for payment of the overdraft balance.

Our investigator also noted that although Monzo had never said it would keep the account open, she could see that the discussion about a repayment plan may well have given the wrong impression. However, Monzo had offered Mr W £50 for this service issue.

Our investigator also explained that many banks close accounts in the circumstances of a bankruptcy. And, banks are entitled to close accounts – which is reflected in Monzo’s terms and conditions. She also explained that Monzo had a duty to report the accurate status of the account to the credit reference agencies.

Mr W asked that his complaint be passed to an ombudsman. In summary, he said:

- the communication failure is precisely what makes the account closure unfair. Monzo made a specific agreement with him, that it would wait for him to provide a discharge certificate while he arranged to pay the overdraft, but instead it closed his account

without notice;

- he was given no notice of the closure, which led to financial detriment and distress;
- the credit file marker is unfair, because Monzo shouldn't have closed the account when Mr W was arranging repayment; and
- £50 compensation doesn't reflect the impact the closure had on his cash flow, the acute embarrassment caused, and the distress and inconvenience suffered.

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'm very sorry to hear of the upset this matter has caused, and I can well understand why Mr W feels as he does. I'd like to assure him that I've thought very carefully about what's happened.

It seems to me that this situation came about because Monzo didn't become aware of the bankruptcy – and the overdraft's inclusion in it – until far later than would have been expected. So, when it became aware of the situation, it took steps to do what it would have done previously, and backdated its actions. What this meant, was that interest was refunded, and the overdraft balance was written off. The account was also closed.

Monzo is entitled to close an account without notice, which is what it did here. I understand this was very distressing, but I don't think it was inherently unfair – given that the account was included in the bankruptcy. So, continued use of it would be something that Monzo would not want to happen – and I think this is reasonable.

I am aware that there were discussions about a repayment plan – and these shouldn't have happened, given the status of the bankruptcy. However, Monzo hadn't initially known the status, or that the overdraft had been included. What it should have done though, is clarified this at the earliest opportunity.

I think it's also worth noting that in May 2025, when Monzo received the bankruptcy proposal, it told Mr W that, if the proposal was confirmed, it would default and close the account. So, I think he could reasonably have expected this may happen. And, when the confirmation was received, this was what happened.

I can understand why Mr W feels that the account shouldn't have been closed, but I don't agree. I feel it's more accurately characterised as a loss of expectation, and on balance, I think £50 is broadly fair to address this. I appreciate Mr W feels differently, but I think Monzo was entitled to act as it did, for the reasons I've given. It also follows that I think the credit file reporting was fair, as it reflected what had happened.

My final decision

For the reasons given above, it's my final decision that the £50 offered by Monzo Bank Ltd is fair. I leave it to Mr W to decide whether he'd like to accept it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 10 February 2026.

Elspeth Wood
Ombudsman