

The complaint

Mr A complains that Monzo Bank Ltd recorded his current account as in default.

What happened

On 31 December 2021, Mr A's current account became overdrawn. On 8 January 2022, Monzo told Mr A that if his account balance remained overdrawn for 60 days, it would close his account and tell credit reference agencies what's happening. It tried to contact Mr A by email and text message but didn't hear from him.

Monzo sent a default notice on 8 February 2022, when his account was overdrawn by around £38. The default notice let him know his account would default on 9 March 2022, but he could avoid this by getting in touch to make a plan to repay what he owed. Monzo didn't hear from Mr A and went on to record the account as in default in March 2022.

Mr A then contacted Monzo at the end of June 2022. He was reminded that Monzo had sent him a default notice on 8 February 2022. Monzo didn't hear from Mr A, so his account was closed and defaulted on 9 March 2022. By this time, his account had been in an unarranged overdraft for more than 60 days.

Mr A got in touch with Monzo in June 2022. It explained what had happened, and that his account had defaulted. Mr A repaid the outstanding balance owed on the account in full in July 2022 and Monzo updated his credit file to show the default had been satisfied.

In 2025, Mr A complained that Monzo had recorded his account in default. Mr A says he was a student dealing with several serious challenges, including losing his car, being unable to work for 10 days because of illness and an abscess. This reduced his limited student income, and he was behind on rent and other bills. He said he didn't understand how credit-reporting works and the serious long-term consequences of a default. In its final response, Monzo said it wouldn't make any changes to the default recorded on Mr A's credit file.

Mr A referred his complaint to our service. One of our investigators reviewed his complaint and didn't uphold it. However, Mr A said that when his account was defaulted in March 2022, it was only two months in arrears. He felt Monzo acted too quickly and the default marker was disproportionately harsh for the small balance owed to Monzo.

Our investigator agreed, and said Monzo should have delayed defaulting the account. She recommended Monzo record the account as in default on 30 April 2022. Monzo agreed to amend the date of default but Mr A did not.

Mr A said the date of default should be amended to 30 June 2022. As he'd already contacted Monzo by this point, he felt this would mean his account would not have defaulted. As our investigator didn't agree, Mr A asked for an ombudsman to review his complaint.

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.

As our investigator explained, we normally expect a default to be applied after three to six months of arrears have accrued. Mr A's account went into an unauthorised overdraft on 31 December 2022 so I would have expected Monzo to have defaulted the account by 30 June 2022 at the latest. However, Mr A had not repaid the balance owed by this point so it's likely his account would still have defaulted.

In any event, we'd normally expect a business to avoid delaying a default to prevent a default from showing on a consumer's credit file for longer than necessary. Here, Monzo were proactive and contacted Mr A. Given he didn't reply to any of its attempts to contact him, I wouldn't have expected Monzo to delay applying a default. So, I'd have expected it to have defaulted the account once three months of arrears had accrued.

If Monzo had sent a default notice once three months of arrears had accrued, at the end of March 2022, it's likely the account would have defaulted by 30 April 2022. So, I agree with our investigator it would have been reasonable for Monzo to default the account by this date.

I appreciate Mr A thinks a default is disproportionate given the relatively small sum involved. I've also noted his personal circumstances and I understand the impact the default has had on his credit file. However, it remains that he was in breach of the terms of his account. Monzo had explained the default process and the impact this would have on his credit file, but Mr A didn't respond to Monzo or repay what he owed.

Whilst I realise my decision is likely to disappoint Mr A, I agree that Monzo was entitled to default the account. However, for the reasons explained above, I think it's reasonable for Monzo to amend the date of default to 30 April 2022.

My final decision

My final decision is that Monzo Bank Ltd should amend its records to show Mr A's account defaulted on 30 April 2022.

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

Victoria Blackwood

Ombudsman