

The complaint

Miss B complains that Monzo Bank Ltd closed her account and registered a default with the Credit Reference Agencies (CRA's).

What happened

Miss B says she received an email from Monzo informing her that her bank account had been closed, and a further email informing her they ended her overdraft agreement, and they have told the CRA's that her account is in default. Miss B made a complaint to Monzo as she didn't know why they took this action.

Monzo did not uphold Miss B's complaint. They said that had Miss B initially set up an arrangement with them to freeze the overdraft fees until 2 March 2022, which would allow her time to pay off the overdraft as she told them she was struggling to pay this back and the arrangement was extended and lasted 12 months. They said they explained that a default would have a negative impact on her credit score. Monzo said the account was closed and defaulted correctly in line with their internal and regulatory procedures. Miss B brought her complaint to our service.

Our investigator did not uphold Miss B's complaint. He said Monzo acted correctly and in line with the terms of the repayment agreement Miss B agreed to in respect of her overdraft limit. He said Monzo's communication was clear, and he wasn't persuaded they'd made an error in the circumstances.

Miss B asked for an ombudsman to review her complaint. She said Monzo did not specify that she had to pay off her whole overdraft, or give a deadline for this, and she paid off some of it. Miss B said they advised that there would be a charge for the overdraft, which she was happy to pay, but she didn't believe they gave any requirements as to how much she needed to pay, and when this would need to be paid.

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 looked at the information Miss B was given when she agreed to the Zero Affordability Plan (ZAP). Originally the plan was due to end in March 2022. I've looked at the chat Miss B had with Monzo, and this says *"After 2 March 2022 your account may start to accrue interest again. We'll be in touch then to see if there's more help we can give you. If you can't pay into your account once this arrangement ends, and you don't get in touch with us, we'll keep charging you interest and you'll go above your overdraft limit. This may affect your credit score and make it more difficult to get credit in the future, so it's best to reach out to us if you're struggling to manage your finances during this time. Please be aware that this arrangement won't stop your account going into default if you don't make a payment when we ask you to".*

So Miss B was told that the arrangement won't stop her account going into default if she

doesn't make a payment when they ask her to. And she agreed to the ZAP. But due to Miss B's circumstances, as she was still in financial difficulties, Monzo agreed to extend the ZAP to show forbearance to Miss B. But the maximum term of the ZAP is 12 months.

An overdraft is only intended for short term borrowing. So I wouldn't expect Monzo to keep the ZAP ongoing indefinitely. So I've looked at what communication Monzo have sent to Miss B prior to the default being applied.

I can see on their systems that they sent Miss B an email and a text on 3 November 2022 informing her that the ZAP was coming to an end. I asked Monzo for the details they sent Miss B, and if they didn't store these, then they should send me a template of what they would have sent Miss B. Monzo sent me a template of the message they sent her.

This message contains the wording *"If you have an overdrawn balance when your arrangement ends on (date of arrangement ending) we'll give you another 60 days to repay your full overdraft balance. However, if you can not repay it by the date we specify then we'll also close your current account, which means you won't be able to use your account again and a default will be reported to the credit reference agencies."*

So I'm satisfied that the communication to Miss B clearly set out that she had 60 days to repay her full overdraft balance when the arrangement ended, and if she couldn't pay this then they would close her account, and they would also report a default to the CRA's. But that's not all the message said.

The message also said *"If you're still having financial difficulties"* followed by *"Please reply to this email, or chat to us through the app so we can try to help. We may be able to set a repayment plan which helps you reduce your balance over time."* But Monzo's records don't show Miss B getting in touch with Monzo regarding this communication. They've shown the last message they received from Miss B was 2 July 2022. So Monzo did inform Miss B about a potential default three months prior to them actually registering the default.

Monzo also sent Miss B further communication which their records show they again sent an email and a text on 4 December 2022, which was a notice of closure (which Monzo needed to give at least 60 days' notice to close Miss B's account due to the terms of the account). The message contained the wording *"Please repay your overdraft balance of (overdrawn amount) by (the expected default date). If you cannot pay your full overdraft balance by then we'll also close your account"*.

The message also says that *"We'll have to tell credit reference agencies if you cannot repay your overdraft balance by reporting you as being 'defaulted', which will most likely lower your credit score, making it harder and more expensive to borrow money in the future."* The message also says *"Please let us know if repaying will be difficult so we can try and help"*. But as I've previously mentioned, Monzo's systems do not show that Miss B contacted them.

Although Miss B said she had made payments to her account, at the time the messages were sent to her, she was at her maximum overdraft limit. She had made payments of £30.31 prior to her account being closed, but the instructions were clear she needed to either pay the full overdraft balance or contact them to make an arrangement to avoid a default. And as I've seen no evidence that Miss B did this, then I'm unable to ask Monzo to remove the default on her account. So it follows that I don't require Monzo to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 1 February 2024.

Gregory Sloanes
Ombudsman