

## **The complaint**

Mr W complains that Monzo Bank Ltd closed his account without giving him his funds. Mr K wants the bank to return his money.

## **What happened**

Mr W had a current account with Monzo.

Mr W says he was asked by a friend, who I will refer to as Mr T, if he could pay some money into his account with a view to Mr W sending the money to an account Mr T held. Mr W says Mr T told him that he 'just wanted to test out a new account.' On 3 July 2020, Mr T sent a payment of £500 to Mr W's account. Within minutes of receiving the money, Mr W made a payment of £500 to Mr T's account.

Following this payment, Monzo were contacted by another bank who said their customer had been the victim of fraud and the £500 wasn't intended for Mr W's account. Monzo decided to close Mr W's account immediately and returned the money in Mr W's account to source.

Mr W complained to the bank. He said the money in his account, which Monzo returned to the other bank, belonged to him. So, he's out of pocket. Monzo looked into Mr W's complaint and said it hadn't done anything wrong. And had complied with the terms and conditions of the account, its processes and relevant regulations in taking the actions it did. Mr W wasn't happy with this response and brought his complaint to our service where one of our investigators looked into things.

The investigator didn't uphold Mr W's complaint. She said Monzo hadn't done anything wrong when it closed Mr W's account and sent the remaining money in Mr W's account back to source. Mr W wasn't happy with what the investigator said. He said the money in his account was his. And as a result of having no money he has struggled to pay his bills and everyday living expenses. He says he hasn't done anything wrong and can't understand why Monzo won't return his money to him.

As no agreement could be reached the matter has come to me to decide.

## **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.

The crux of Mr W's complaint is that Monzo haven't given him access to money in his account. And have returned it to source – in other words sent the money back to another account. Mr W says that the money belongs to him and he wants it back.

I appreciate Mr W is upset and I understand the whole situation has caused him worry, and inconvenience. But for me to uphold his complaint, I have to conclude Monzo has done something wrong when it returned the money left in Mr W's account back to source. And in this case, I don't think it has. I'll explain why.

Monzo was told by another bank that its customer was the victim of a scam and provided Monzo with information to show Mr W wasn't entitled to the £500 Mr T had paid into his account. Having looked at the information, I'm satisfied that Mr W received fraudulent funds into his account.

Mr W says he immediately sent the £500 he received from Mr T out to another account. And the funds Monzo returned belonged to him. So, Monzo had no right to take it. But I'm afraid I have some bad news for Mr W. As the investigator has already explained to Mr W, Monzo were following the Claytons Rule commonly known as the first in first out rule when it removed the money and sent it back to source. This says that each withdrawal is presumed to be a return of all or part of the oldest deposit. The result is that the oldest deposit is withdrawn first, or the oldest debt is paid first.

When Mr W received the £500 into his account, he already had a balance of £544.94. So, when Mr W transferred £500 out of his account to Mr T the £500 was deducted from Mr W's original balance (his money) leaving a balance of £44.94 along with the fraudulent funds. What this means is Mr W sent his own money to Mr T.

From looking at Mr W's account statement, I can see Mr W then made three payments leaving a total balance of just over £420. Applying Claytons Rule, means that the money that remained in Mr W's account after the £500 transfer, was made up of the fraudulent credit - in other words it wasn't Mr W's money. So, I can't fairly conclude that Monzo should return it to Mr W.

I understand that Mr W is upset by Monzo's actions. And he's explained he was just trying to help a friend. Of course, if Mr W is owed the money, he's owed it by his friend, Mr T and I'm not aware of any reason why he shouldn't seek payment from him.

I then turn to the bank's decision to close Mr W's account. It's generally for banks to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Unless there's a very good reason to do so, this service won't usually say that a bank must keep customer or require it to compensate a customer who has had their account closed.

Banks should however, give reasonable notice before closing an account. Usually, that means 60 days' notice, but it can be less – depending on the circumstances. In this case, Monzo closed Mr W's account immediately. In my view that was reasonable given Monzo's concerns about how Mr W was operating the account.

In summary, I realise Mr W will be disappointed by my decision. But for the reasons I've explained, I don't believe Monzo acted unreasonably or treated Mr W unfairly in taking the actions it did.

### **My final decision**

For the reasons I've explained, I don't uphold this complain

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 19 February 2021.

Sharon Kerrison  
**Ombudsman**