

The complaint

Mr S complains that Monzo Bank Ltd restricted his accounts. Mr S says this caused him severe financial distress and not able to pay other bills which resulted in defaults being applied to his credit file. Mr S would like compensation.

What happened

Mr S held an account with Monzo. In January 2020, Monzo blocked Mr S's account which meant he couldn't use it. Mr S raised a complaint.

Mr S tried to get in touch with Monzo through their online chat facility – but he didn't receive any replies. Monzo confirmed they would respond to Mr S's complaint by 16 June 2020 – but then let him know they would need until 14 July 2020 to issue a full response.

In June 2020, Monzo unblocked Mr S's accounts so he could access it fully. They also issued Mr S with a response to his complaint. In their response, Monzo explained that the account was frozen due to their routine account reviews – but they regretted the time it took. So, they offered £600 compensation for the distress and inconvenience.

Mr S wasn't happy with Monzo's settlement offer. He explained he'd faced defaults and rent arrears due to the account block so wanted an increased level of compensation. Mr S brought the complaint to our service.

Our investigator who reviewed Mr S's complaint thought Monzo should do more to put things right. He recognised the impact the overall situation had on Mr S – and while he agreed Monzo blocking the account was fair, he thinks they should have removed the block sooner which would have reduced the impact on Mr S. So, he asked Monzo to do the following;

- write a letter confirming the dates of the unnecessary block which Mr S could show his creditors to confirm the reason he missed payments;
- pay 8% simple interest on the full balance of the account from March 2020 (when our investigator thought Monzo could have removed the block) until June 2020 (when Monzo did remove the block);
- pay Mr S £1,000 for the trouble and upset.

Monzo accepted the investigator's recommendations. Mr S didn't – he thinks the impact the overall situation had on him is more than the compensation offered.

As an agreement couldn't be reached, the complaint has been passed to me to review.

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 appreciate the significant impact this situation has had on Mr S. But having considered everything, I agree with our investigator's opinion on how to put things right. I've explained

further below.

The account block

Monzo are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They're also required to carry out ongoing monitoring of new and existing relationships. That sometimes means they need to restrict customer's accounts – either in full or partially while they carry out their review. I can see that's what's happened with Mr S's account.

In order for me to be satisfied that Monzo's actions were appropriate in the circumstances, I'd need to see evidence of why their review was initiated, and what actions they took during the review.

Monzo has shared information with us that we consider should be kept confidential. I appreciate this isn't helpful for Mr S as this means some of the information we've received we won't be able to share with him. But our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains information about other customers, security information or commercially sensitive information.

While I'm sorry I can't go into more detail with Mr S, based on the evidence received from Monzo, I'm satisfied the account block was reasonable. So I'm not going to ask Monzo to do anything to put things right in relation to the initial block in January 2020.

I've then gone on to consider the time the account was blocked. Monzo didn't remove the block until June 2020 but having reviewed the full circumstances of this complaint, I think they could have been more proactive in their review. I think it's reasonable that Monzo could have taken the necessary action sooner than they did – and at around one month after the initial block. This means Mr S's account block could have been removed around the end of February 2020 and no later than the beginning of March 2020. Because of that, I think Monzo should pay Mr S compensation to recognise the unnecessary delays in their review.

The impact the block had on Mr S

Mr S held around £12,000 in his Monzo account – so I appreciate the inconvenience and distress this would have caused by not having access to it. Mr S has supplied evidence to our service to show he couldn't pay certain bills because of his account block and the impact this has had on his credit file. I recognise Mr S didn't have any direct debits set up on his Monzo account, but I don't consider this means the impact is any less.

Mr S's account statements show regular transfers from his Monzo account to accounts held with different banks in his name. So, I think it's reasonable to conclude Mr S used money from his Monzo account to regularly service other personal finances. And not having access to the money in his Monzo account would have severely disrupted this financial support.

Mr S not being able to make certain payments on time resulted in a number of arrears and defaults applied to Mr S's credit file. I'm aware Mr S had other accounts which were also blocked, and while the circumstances of those aren't entirely relevant to this complaint, I have had to consider that I can't place full responsibility of the arrears and defaults on Monzo. But Monzo blocked Mr S's account for a period of six months and I'm satisfied the block should have only been in place for around one month. Therefore, I do agree Monzo has played a part in some of the arrears and defaults and so, should do something to put things right.

Putting things right

I recognise Mr S now has access to his money and therefore I hope he has been able to reduce some of the arrears and any further lasting impact. However, defaults are placed on a credit file for six years – so, this situation could affect his financial future for a significant period of time.

Our investigator asked Monzo to provide a letter confirming Mr S's account was unnecessarily blocked between early March 2020 up until June 2020. I can see Monzo has already supplied this letter and it confirms the block may have caused Mr S to miss payments incorrectly and asks the creditors to review matters. While I think this letter could be helpful, I can't safely say all of Mr S's creditors will accept it and remove any defaults, so I've had to consider the lasting impact on Mr S when deciding on the amount of compensation. Overall, Mr S suffered an unnecessary account block for around five months and his credit file has severely suffered – and so I consider £1,000 compensation is a fair reflection.

I also consider 8% simple interest should be added to the full balance of Mr S's account from the time it could have reasonably been unblocked (early March 2020) up until the time it was unblocked. I think this fairly reflects the loss of use of the money.

My final decision

For the reasons I've explained above, I uphold Mr S's complaint. Monzo Bank Ltd should do the following to put things right:

- Calculate interest at 8% simple per year on the money they withheld from Mr S. They should calculate this from the date they reasonably could have unblocked Mr S's account – 2 March 2020 – to the date they did unblock it.
- HM Revenue & Customs requires Monzo Bank Ltd to withhold income tax from the aforementioned interest. Monzo should give Mr S a certificate showing how much is taken off if Mr S asks for one.
- Pay Mr S a total of £1,000 compensation.

I'm aware Monzo Bank Ltd has already made a payment of approximately £600 to Mr S. So, I consider the above redress should take into account the amount already paid and be offset against any remaining amount due to Mr S.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 29 November 2021.

Hayley West
Ombudsman