

## **The complaint**

Miss T complains that Monzo Bank Ltd has recorded a marker at CIFAS, the national fraud database.

## **What happened**

Miss T says that she found out about the marker when she tried to apply for a product at a different financial business. And this led to her other bank account being closed. She says that this has made things difficult for her and that she has had to pay for a fee-based account and hasn't been able to borrow money.

Monzo Bank said it hadn't made a mistake. It had received a report that a credit of £56.99 into Miss T's account on 6 December 2020 had been obtained fraudulently. Miss T had accessed this money and had closed her account the day before the report came in. So, it added the marker as she had retained a wrongfully obtained credit.

Our investigator recommended that the complaint be upheld. There was a high bar for adding a CIFAS marker. And we'd expect Monzo Bank to have attempted to contact Miss T at the time for her explanation. It didn't do so, and Miss T had provided a plausible explanation for the money in that she'd been selling items online. She no longer had any documentation about this given the passage of time. Monzo Bank hadn't actually closed the account. Our investigator said that the CIFAS marker should be removed and Miss T paid £500 in compensation for the distress caused to her.

Monzo Bank didn't agree. It said that Miss T had complained to CIFAS and it hadn't upheld that complaint. It provided details of two other fraud reports which it said provided 'compelling evidence'. And it thought Miss T had closed the account because of this activity. It said that it didn't see it had to contact her about what happened.

## **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 need to consider whether the report to CIFAS was made fairly. On this point, Monzo Bank needs to have more than a suspicion or concern. It has to show it had reasonable grounds to believe that a fraud or financial crime had been committed or attempted and that the evidence would support this being reported to the authorities.

What this means in practice is that a bank must first be able to show that fraudulent funds have entered the consumer's account, whether they are retained or pass through the account. Secondly, the bank will need to have strong evidence to show that the consumer was deliberately dishonest in receiving the fraudulent payment and knew it was, or might be, an illegitimate payment. This can include allowing someone else to use their account in order to receive an illegitimate payment. But a marker shouldn't be registered against someone who was unwitting; there should be enough evidence to show deliberate complicity.

To meet the standard of proof required to register a CIFAS marker, the bank must carry out checks of sufficient depth and retain records of these checks. This should include giving the account holder the opportunity to explain the activity on their account in order to understand their level of knowledge and intention.

I note that the report of fraud that Monzo Bank relied on initially when providing its business file to this service related to the payment mentioned above. The report about this was received on 19 December 2020 and the CIFAS marker applied on 22 December 2020. I infer that the further reports about payments of £38.90 on 10 December 2020 and £28.90 on 13 December 2020 were received subsequently. In any event it isn't clear to me that Monzo Bank relied on those at the time the CIFAS marker was applied.

I appreciate that Monzo Bank provided information to CIFAS when Miss T complained. But I can't see that any explanation from Miss T about what happened had been taken into account or discussed with her. When reviewing complaints, we would do that, and this can distinguish as here the assessment we make of what is fair and reasonable.

It is also the case that the account had been closed by the time of the fraud report. So, I can see why Monzo Bank may have been less likely to contact Miss T. And as she had decided she didn't want the account then it may have been unlikely she'd have engaged with any contact. But the point is she wasn't given the opportunity to do so. I don't put any weight in this complaint on Miss T rather than Monzo Bank closing the account: it's clear to me that this was the action it would have otherwise taken as part of the criteria for a marker.

Miss T's explanation is that she was selling small personal items to pay for family expenses. I note that there were similar credits to her account. She says she was selling these on social media and doesn't now have any information about them. As I say the further reports have only been provided to this service at a late stage in our investigation. I would have expected Miss T to be able to evidence that she had sold legitimate goods at the time. In view of what seemed to be the relatively small scale of her activity and that she wasn't made aware of the specific concerns then or even when she later complained to Monzo Bank I don't think it unreasonable she has little to provide about what she would characterise as a buyer seller dispute.

Frankly there were grounds for suspicion when the marker was added. But I'm not persuaded that Monzo Bank has been able to demonstrate that it met the standard of proof for a CIFAS marker having considered what Miss T has said.

So, I agree that the marker should be removed. A marker on a database shouldn't lead to automatic refusal of a financial product. Here Miss T has recently explained again the ongoing distress and inconvenience caused by the marker and I don't see a basis to depart from the recommended compensation for that. Monzo Bank clearly disagrees with this outcome and although Miss T has asked it to issue a letter of apology saying it was wrong I don't think that's appropriate in these circumstances. Miss T has this decision to explain my assessment of what happened.

### **My final decision**

My decision is that I uphold this complaint and require Monzo Bank Limited to remove the CIFAS marker and pay Miss T £500 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or

reject my decision before 28 September 2022.

Michael Crewe  
**Ombudsman**