

The complaint

Mr D complains that Monzo Bank Ltd sent back payments made into his account and then closed his account. He wants the funds which were returned to sender refunded to him and compensation. Mr D's also unhappy with the way Monzo handled things.

What happened

Mr D had three Monzo accounts – a personal account, joint account and business account. This decision will focus on Mr D's personal account.

Mr D says he is a watch collector and recently he and a friend set up a watch trading business, buying and selling high value watches. In June 2020, Mr D says he advertised a watch and was contacted by an individual, I shall refer to as R. Mr D says R bought the watch. And he's provided invoices and social media messages to support this.

Within days of the sale, Mr D says that R contacted him again asking him to source another high value watch, for his wife. Mr D says he sold R another watch, for just over £6,000. Mr D says R made two payments (£4,800 and £1,415) into his personal account to pay for the watch on 24 June 2020.

Mr D says he sourced a suitable watch, which involved him making a payment of £3,950 to an associate T. And once he was in possession of the watch, he sold it to R on 25th June 2020. Again, Mr D has provided copies of invoices, paperwork relating to a ladies watch, and social media messages which he says supports his explanation for receiving the two payments into his account.

Monzo blocked Mr D's account whilst it looked into the activity on Mr D's account. And then decided to close it immediately. Monzo subsequently returned the two payments Mr D received, back to the sending banks following a recall request. Monzo also released funds remaining in Mr D's account back to him.

Mr D complained to Monzo. He said the bank shouldn't have returned any money and that he's been the victim of fraud as he's now out of pocket and R is in possession of a high value watch which he maintains he'd sold legitimately. Mr D also said it had taken Monzo too long to return the balance of his accounts to him, the bank had given him conflicting information about this and had taken too long to deal with his Data Subject Access request (DSAR). So, he said Monzo should return the money he says he's owed and pay him compensation.

In response, Monzo apologised for causing Mr D any confusion and sending what it accepted as mixed messages about the timing of when Mr D would receive his account balance. And it accepted that it had taken longer than usual to process Mr D's DSAR and return his account balance to him. Monzo offered Mr D a total of £395.50 compensation for providing Mr D with poor service. But it explained that it had followed its legal and regulatory obligations when it returned the payments to the senders and hadn't done anything wrong when it had closed Mr D's account.

Mr D accepted Monzo's offer of compensation, but he says he is still out of pocket and also wants the payments Monzo sent back, refunded to him. So, he brought his complaint to our service where one of our investigators looked into what happened.

The investigator decided not to uphold Mr D's complaint. They concluded:

- Monzo could close Mr D's account in accordance with the bank's terms and conditions. It had closed Mr D's account immediately and based on the reasons they provided to our service their decision was reasonable.
- Monzo hadn't done anything wrong when it had returned the payments to source.

Mr D disagreed with the outcome the investigator reached. He maintained he sold goods to R, so he's entitled to the money Monzo sent back to source.

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.

Mr D has made detailed submissions to us in support of his complaint, which includes paperwork regarding the sale of watches. I've reviewed all the material he has submitted. I'm not going to cover all the points raised by Mr D in his detailed submissions. No discourtesy is intended by this. But I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

Firstly, the investigator was right to point out that Monzo has important legal and regulatory obligations it must meet when providing accounts to customers. And it must take certain actions in order to meet these obligations. These obligations are ongoing, so do not only pertain to when an account is opened. They can broadly be summarised as a responsibility to protect persons from financial harm, and to prevent and detect financial crime. To comply with its obligations Monzo may need to review an account and/or restrict its customers' access to accounts and funds held within them.

Having looked at all the evidence, I don't believe it was unreasonable in the circumstances for Monzo to block Mr D's account. Monzo has explained that this was its standard procedure, and I accept that it was. I'm satisfied that in doing so Monzo were complying with its legal and regulatory obligations. So, whilst I accept, the bank's actions caused Mr D inconvenience when it decided to block his account, I can't say the bank did anything wrong and treated him unfairly in doing so. So, it wouldn't be appropriate for me to award Mr D compensation since I don't find the bank acted inappropriately in taking the actions it did.

The crux of Mr D's complaint is that he's unhappy Monzo returned money paid into his account to source – in other words it sent money back to where it came from. He says he hasn't done anything wrong and the money was payment for a watch he'd sold.

I've looked at the information Monzo relied on when it decided to return the payments that had been made into Mr D's account back to source. And I've looked at the information Mr D has provided and what he's said about the money coming into his account. Having done so, I'm not satisfied that Mr D has demonstrated that he is entitled to the payments made into his account on 24 June 2020. So, returning the payments to source was the right action for Monzo to take in the circumstances. In doing so Monzo were complying with their regulatory obligations. The terms of the account also permit them to take this action. So, I won't be directly Monzo to return the money to Mr D.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from financial businesses as confidential for a number of reasons – for example, if it contains information about other customers, security information or commercially sensitive information. Some of the information Monzo has provided is information that we considered should be kept confidential. This means I won't be able to share a lot of detail with Mr D, but I'd like to reassure him that I have considered everything.

Mr D says he doesn't understand why Monzo were happy to release most of the funds in his account back to him but not the two payments that credited his account on 24 June 2020. As I've already explained, I'm not satisfied that Mr D hasn't demonstrated he's entitled to these funds. Monzo have already allowed him to withdraw most of the money paid into his account, which is more than fair in the circumstances.

I then turn to the bank's decision to close Mr D'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. As long as they reach their decisions about that in a legitimate manner, this service won't usually intervene.

Banks should 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 D's account without notice. Having looked at all the evidence, in my view that wasn't unreasonable. And I'm satisfied that the bank acted in line with the account terms and relevant regulations when it closed the account.

In summary, based on the full circumstances of this complaint, and the evidence I've received from both parties, I'm satisfied Monzo's actions are fair. So, it follows that I won't be asking Monzo to do anything more to resolve Mr D's complaint.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 30 November 2022.

Sharon Kerrison
Ombudsman