

The complaint

Mr L complains that Monzo Bank Ltd closed his account without notice. He's like compensation for the distress.

What happened

Mr L held several current accounts with Monzo. In November 2020 he found that the accounts had been blocked. He contacted Monzo through their chat to find out what was going on and offered to supply further information on transactions on his account. But he was told that the bank had made the decision to close his accounts immediately. They asked for details of another account of his in the UK so they could return the balance to him, and the money was returned around four weeks later.

Unhappy with this Mr L complained to Monzo about the decision to close his account, and the amount of time return his money. But the bank didn't feel they'd done anything wrong. They explained they'd made the commercial decision to close his account and didn't need to give any reasoning behind this. They said that a specialist team were reviewing information on his account, which is why it had taken as long as it did to return the funds. They referred Mr L to their terms and conditions, which they said entitle them to close the account at any time. They also explained that the notice to close said they'd return the funds within 2-4 weeks, and they'd kept within these timescales.

Unhappy with this answer Mr L referred his complaint to our service. Since the closure he said he'd been facing financial difficulties and entered into an IVA. He felt this was down to the actions of Monzo.

One of our investigators looked into what happened, but she didn't think Monzo needed to do anything further. She explained that under their legal and regulatory obligations the bank were entitled to carry out a review of Mr L's account, and to block the account while they do. She said the terms of the account allowed them to close Mr L's account in the way they did, and Monzo made Mr L aware of the length of time it would take for his funds to be returned. Overall, she didn't think Monzo had been unfair.

Mr L disagreed, saying that he thought Monzo had breached the terms of his account. He said he didn't see how he'd met any of the criteria for an immediate closure of the account. He said he accepted Monzo could close his account with 60 days' notice but didn't think an immediate closure was fair.

Because no agreement could be reached the case has been passed to me to decide. After reviewing additional evidence I felt the complaint should succeed. I issued my provisional decision which said:

The investigator has correctly highlighted that Monzo have important legal and regulatory obligations to meet when providing accounts to customers. These include ongoing monitoring of both new and existing accounts and sometimes this means they will need to restrict an account while it's under review.

Having reviewed the information supplied by Monzo I'm satisfied that it was reasonable for them to review Mr L's account, and to restrict his access to the account while they did this. In any case the decision to close his account was made very quickly after the review began. Banks can also close accounts for any reasonable reason and aren't under any obligation to explain their reasons for doing so, so long as they comply with the terms of the account.

The regulations around payment accounts, and common industry practice is that a closure will usually take place with at least 60 days' notice. Monzo's terms reflect this by giving at least two months' notice.

Having considered the information supplied by Monzo, I'm satisfied that the decision to close Mr L's account wasn't unreasonable in itself. I've seen nothing to suggest it was irrational, or a decision based on incorrect information. Mr L has also accepted Monzo were within their rights to close the account.

However, Monzo can only close the account with no notice in a limited set of circumstances. The terms go on to say they may close the account immediately if Mr L has:

- broken the terms of this agreement*
- put us in a position where we might break the law*
- broken the law or attempted to break the law*
- given us false information at any time*
- had a change in circumstances which means you're no longer eligible for a current account (like moving abroad)*
- given a third party control of your account, phone, card or PIN (unless you've formally agreed this with us or are legally permitted to do this)*
- been abusive to anyone at Monzo or a member of our community.*

I've thought carefully about these points, and I'm not satisfied they meet the circumstances of Mr L's account.

While I appreciate Monzo aren't obliged to tell their customers about any blocks or reviews, it's usual practice for an investigation to take place including asking the customer – in this case, Mr L, for further information. In particular if there are concerns around specific payments or transactions, then the customer can provide context or additional evidence if required.

Monzo didn't question Mr L any further around this issue after the account was blocked – although he did attempt to explain certain aspects of his account usage to them. This attempt seems to have been ignored.

Having reviewed the evidence supplied by Monzo, I've seen nothing to satisfy me the circumstances met any of the reasons given for immediate closure. I can't see any reasonable justification for closing Mr L's account in the manner they did.

Monzo can make the decision to not have Mr L as a customer, so I won't be asking them to reopen the account. But I feel it would have been reasonable to give Mr L the full 60 days' notice of closure. By not doing so, I'm satisfied they've treated Mr L unfairly.

I've gone on to consider the impact. Mr L has made us aware that while this was his main account, he did have accounts open elsewhere. This means he wasn't left entirely without banking facilities. I can see from his statements he had regular outgoings – such as Direct Debits – that he would then have to move over. I can see how this would be inconvenient for him.

Monzo have said that they made Mr L aware it may take 2-4 weeks to return his funds to him. When banks are carrying out reviews, I'd expect them to do this as quickly as possible, and not to unnecessarily withhold a consumer's funds, so as not to cause the consumer any undue trouble. Having reviewed the actions of Monzo, I can't see a reason why it was necessary to hold on to his funds as long as they did – even if these were within the stated timescales. I can see that Monzo could potentially have released the funds two weeks earlier than they did, which would have reduced the disruption to Mr L.

Mr L has suggested by closing the account Monzo caused him enough financial difficulty that he had to enter into an IVA. But I note the IVA began over six months after Mr L's account with Monzo was closed, which I consider ample time to arrange new payments to his creditors from another account. I don't consider the IVA to be a direct result of Monzo's actions.

However, I'm satisfied that by not giving Mr L 60 days' notice of the account closure Monzo have caused him material distress and inconvenience, and that it would be appropriate to pay some compensation for this. Having considered the impact, I believe an amount of £150 would be fair.

Both Mr L and Monzo accepted this as an outcome. It only remains then for me to issue my final decision.

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.

Having done so I'm satisfied with the reasoning in the provisional decision, and the redress awarded. Overall I find that Monzo treated Mr L unfairly in not allowing him 60-days' notice before closing his account. I find that £150 compensation would be a fair reflection of the distress and inconvenience caused to him.

My final decision

My final decision is that Monzo Bank Ltd must pay Mr L £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 14 October 2022.

Thom Bennett
Ombudsman