

The complaint

Mr M complains about Monzo Bank Ltd's decision to close his account and return the money left in it to the original source.

What happened

Mr M held an account with Monzo. In June 2021, Monzo received fraud reports from other banks to inform them that Mr M had been the recipient of fraudulent funds. Monzo carried out an investigation and decided to end their relationship with Mr M. Mr M said Monzo closed his account on the same day his bills were due which caused him to miss payments and receive late payment charges. Monzo returned some money back to the original senders, and some money back to Mr M directly. Mr M wanted all of the money left in his account to be returned to him.

Our investigator reviewed things and didn't think Monzo had done anything wrong. He explained that Mr M's statement supports the version of events linked to the fraudulent payments and was satisfied Monzo has returned the money appropriately to the victims under Clayton's law. Overall, our investigator thought Monzo had acted appropriately in the circumstances.

Mr M disagreed. He said there was money in the account before the fraudulent transactions happened – so he thought the full balance should have been returned to him.

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

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.

Monzo are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. Based on what I've seen, I'm satisfied Monzo were acting in line with these obligations when reviewing, blocking, and subsequently closing Mr M's account.

Monzo are required to regularly review the relationships they hold with their customers and it's often appropriate for certain transactions to be reviewed. In Mr M's case, money paid into his account was raised as suspicious, so I'm pleased to see Monzo took the action to block any further activity on the account while they investigated things. Monzo received information from other banks which they have shared with our service in confidence. I'm satisfied based on the evidence I've seen that Monzo were entitled to close Mr M's account and did so by complying with the terms and conditions of the account. Therefore, I can't reasonably say Monzo did anything wrong when deciding to close Mr M's account. I recognise Mr M says this caused financial issues for him with bills being due on the same day Monzo decided to close the account, but I can only uphold this part of the complaint if Monzo did something wrong – and I can't reasonably say they did.

The crux of Mr M's complaint is that Monzo haven't given him access to money in his

account and sent it back to another account. Mr M says that the money belongs to him and he wants it back. For me to uphold this part of the complaint, I have to conclude Monzo has done something wrong when they returned the money left in Mr M's account back to source.

As the investigator has already explained to Mr M, Monzo were following the Claytons Rule commonly known as the first in first out rule. 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.

Mr M says he applied for a loan and thought the money which entered his account, and what he then moved onwards, was all part of satisfying his credit worthiness. Nonetheless, I am satisfied Mr M received, and moved on, fraudulent funds in his account. It therefore follows that when Mr M transferred money out of his account, that money would have been deducted from the balance which was already in his account – and therefore, his own money. So, Monzo had a duty to return the money to the victims when they were informed about the fraud – which means Mr M has been left without some of the money which may have rightfully belonged to him.

I understand that Mr M is upset by Monzo's actions – and it could well be the case that he has also been a victim of fraud. I say that because he's explained he thought he was applying for a loan and now realises he should have reported these actions. However, based on everything I've seen, I can't reasonably hold Monzo responsible for the actions of a fraudster – and I can't fairly say they have done anything wrong.

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

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 9 January 2023.

Hayley West
Ombudsman