

The complaint

Mr B complains Monzo Bank Ltd (“Monzo”) unfairly applied a CIFAS fraud marker against him and closed his account.

What happened

In June 2021, Monzo restricted Mr B’s account as it had concerns about some of the activity on it. Following a review, Monzo decided to close Mr B’s account and return any remaining funds to source. Mr B was notified by Monzo it was closing his account.

Later, Monzo notified CIFAS (Credit Industry Fraud Avoidance System) who applied a ‘misuse of facility’ marker against him.

Unhappy with Monzo’s actions, Mr B complained. Mr B explained that he thinks his account has been taken over by fraudsters and says he doesn’t know anything about certain transactions Monzo had concerns about.

Monzo didn’t uphold Mr B’s complaint. In short it said it had complied with its internal procedures and the regulatory obligations placed on it. After carrying out a second review of the application of the CIFAS marker, it was still unable to remove the marker.

In addition, Monzo said it would credit Mr B with £25 as an apology for any distress and inconvenience it caused through delaying the handling of his complaint.

Mr B then referred his complaint to this service. In summary they said:

- Monzo closed the account in line with the terms and conditions of the account
- Based on the evidence it had seen, Monzo had acted fairly in loading a CIFAS marker against Mr B
- Mr B had said he didn’t know about a third-party crypto account, but Monzo had shown money was transferred between that account as early as 2 June 2021. As this crypto account had to be linked to an account in the same name, and identity verified before it was opened, it was reasonable to conclude Mr B knew about it
- As Mr B says he hasn’t shared his app login details with anybody else. So there’s no plausible explanation how anybody other than Mr B could have made the transactions on the account
- As Monzo have shown it attempted to get address confirmation from Mr B to send statements to him, and as Mr B didn’t respond, it hasn’t anything wrong by not sending them
- Monzo’s offer to pay £25 compensation and send residual funds to Mr B is fair. Mr B hasn’t accepted this

Mr B didn’t agree with what our Investigator said. He said he had moved to a store with the

same employer and the transfer of his paperwork was compromised during this time. He says this contained his personal and banking details, and he believes this loss of data explains what happened. Mr B wanted to provide statements from his manager – but he hasn't been able to do so, and a reasonable time has now passed.

It follows I must now decide this complaint.

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 have decided not to uphold Mr B's complaint. I know this will disappoint him, so I'll explain why.

Account restriction and closure

Banks in the UK, like Monzo, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

Having looked at Monzo's reasons for restricting Mr B's account, I'm satisfied it hasn't done anything wrong here. I'm also satisfied Monzo didn't cause any undue delay in carrying out its review.

Monzo is entitled to close an account just as a customer may close an account with it. But before Monzo closes an account, it must do so in a way, which complies with the terms and conditions of the account.

The terms and conditions of the account, which Monzo and Mr B had to comply with, say that it could close the account by giving at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

Having looked at the information given to me by Monzo, I'm satisfied it was entitled to close the account in the way that it has done. Mr B may want to know Monzo's reasons for restricting and then closing his account. But Monzo is under no obligation to do this.

CIFAS marker

The marker Monzo have filed with CIFAS is intended to record there's been a 'misuse of facility' – relating to using the account to receive fraudulent funds.

In order to file such a marker, Monzo is not required to prove beyond reasonable doubt that Mr B is guilty of a fraud or financial crime, but they must show there are grounds for more than mere suspicion or concern. CIFAS says:

- "There must be reasonable grounds to believe that an identified fraud or financial crime has been committed or attempted; [and]
- The evidence must be clear, relevant and rigorous such that the member could confidently report the conduct of the subject to the police."

What this means in practice is that a bank must first be able to show fraudulent funds have entered Mr B's account, whether they are retained or pass through the account. Secondly,

Monzo will need to have strong evidence to show the consumer was deliberately dishonest in receiving the fraudulent payment and knew it was, or might be, an illegitimate payment.

A marker shouldn't be registered against someone who was unwitting; there should be enough evidence to show deliberate complicity. So, I need to consider whether Monzo has enough evidence to meet the standard of proof and load a marker for misuse of facility with CIFAS.

Firstly, I'm satisfied fraudulent funds entered Mr B's account. Mr B told Monzo he doesn't recognise the transactions Monzo asked him about. I'm satisfied Monzo have shown Mr B's account had received fraudulent funds.

So, I must now turn to whether I think Mr B was unwitting or deliberately dishonest in receiving these funds. Monzo has given me its internal records of correspondence, and chats, between it and Mr B.

Mr B told Monzo nobody else knew his account login credentials including his PIN, nor that anyone had access to his emails. Mr B also said he didn't write his PIN down anywhere. I note that there were also two devices linked to Mr B's account. Mr B has told this service he didn't know anything about the third-party crypto currency account. I can see Monzo asked Mr B about this account when carrying out its own investigation – and I haven't seen that Mr B refuted having the account with it.

The reason this crypto account is important is because the fraudulent funds were moved into it. From the information I have, and which I've set out above, I can't see how Mr B's account details were compromised.

Mr B says his employer lost his paperwork which contained his personal details. But Mr B has said the Monzo account was effectively an auxiliary account which he had in addition to his two other mainstream one's - where he carried out most of his banking. So I can't see how his Monzo bank details would have been on them for any opportunistic fraudster to obtain details for.

It's not clear why Mr B didn't tell Monzo he didn't know anything about the crypto account. Monzo have said that the information Mr B did send about this showed no transactions being made. I haven't been able to see what Mr B sent to Monzo.

I note there were transactions being made between the crypto and Monzo account much earlier and before the fraudulent funds hit the account. There are other transactions made on the account around this time to – so I think its likely Mr B would have accessed and seen his account transactions. If Mr B didn't recognise the crypto payments, I'd have expected him to have flagged this without delay to Monzo.

I've also checked the crypto account terms and note a customer can only have the one account with it, and their identity needs to be verified before the account is opened. So, taking everything together, I think it's more likely Mr B did know about the crypto account.

So, after weighing everything up, I'm persuaded Monzo has acted fairly in applying a 'misuse of facility' CIFAS marker against Mr B. In other words, I think there's enough information to show complicity.

Lastly, I'm satisfied Monzo acted fairly and reasonably in trying to send Mr B his statements – but it wasn't given confirmation of the correct address to do so. Given the fraud concerns here, this is more than a reasonable request for Monzo to make before sending them.

Monzo offered Mr B £25 for any distress and inconvenience its delay in handling the complaint caused. I don't think it needs to do anymore.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 24 February 2023.

Ketan Nagla

Ombudsman