

The complaint

Mr M complains that Monzo Bank Ltd blocked his account and asked him to provide information about activity on his account. Mr M also complains that Monzo returned a benefit payment back to source which caused him unnecessary inconvenience and worry for which he should be compensated.

What happened

Mr M had a current account with Monzo, which he opened in August 2021. Mr M has explained that he used his account to receive his Universal Credit (UC) payments each month from the Department of Work and Pensions. (DWP)

In October 2021, Monzo decided to review how Mr M was operating his account. Whilst it conducted its review the bank blocked Mr M's account, this meant Mr M couldn't access the funds in his account and no payments could be credited to the account.

On 17 October 2021, Monzo asked Mr M to provide information about five transactions on his account that had taken place between 20 and 25 September 2021. It did this by sending Mr M a message via its in-app banking chat asking him to explain the transactions. Mr M didn't respond. So, on 21 October 2021, Monzo sent a further message via its in-app banking chat asking him to provide the information. The message warned Mr M that if he didn't provide the information it could lead to restrictions being placed on his account.

Mr M didn't respond to Monzo's second attempt to get in touch with him. So, it made two further attempts to get hold of Mr M on 26 October 2021 and 3 November 2021. These messages told Mr M that Monzo had temporarily frozen his account until he provided the information the bank had requested concerning the transactions.

Mr M says he never received any of the messages from Monzo as he was in hospital. He's explained he took a taxi home and that when he tried to pay for his trip his bank card was declined. Following this he called Monzo to try and find out what was happening with his account. During the call he told Monzo that his phone was in for repair, so he hadn't received any of their requests for information as he didn't have access to his emails or in-app chat.

Monzo explained to Mr M that it had blocked his account and wanted information about certain transactions. Mr M asked for his balance and whether his November 2021 benefit payment had been credited to his account. Monzo told him that due to the block on his account the UC payment had been rejected and returned to DWP on 16 November 2021.

The advisor then went on to ask Mr M for the information about the transactions and how he used his account. Mr M said that the transactions were from his partner who had given him some money when his car had broken down. And that he had then paid her back. He explained that he didn't have any evidence to back up his explanation as it had all been arranged over the phone. Mr M told Monzo that he used the account to receive his benefit payments. The advisor apologised for any inconvenience the block was causing Mr M and

told him that he would pass the information he'd provided through to the department reviewing his account.

On 22 November 2021, Mr M called Monzo for an update on what was happening with his account. During the call Monzo explained that it had emailed Mr M asking for evidence to support his explanation about the transactions. Mr M said he didn't have access to his emails, so he'd not received anything from the bank. He explained that the money was from his partner and that the activity was all above board. He also said that he couldn't provide anything to support his explanation. The advisor gave Mr M details of how to contact UC to chase his November benefit payment. Monzo completed its review of Mr M's account on 22 November 2021 and allowed him to withdraw his balance. Following this Monzo decided to close Mr M's account.

Mr M complained to Monzo about the block to his account. He said he didn't have another bank account and had to arrange for his benefit payment to be paid into a relative's account until he could organise an account with another bank. He explained that this had caused him inconvenience and stress. And that he hadn't managed to get his benefit payment until 26 November 2021.

In response, Monzo said it hadn't done anything wrong when it blocked and closed Mr M's account. And it had done so in line with the account terms and its regulatory obligations. Mr M wasn't happy with this response, so he brought his complaint to our service where an investigator considered it. The investigator didn't uphold Mr M's complaint. She said Monzo hadn't done anything wrong when it reviewed Mr M's account and returned his UC payment to DWP.

Mr M didn't accept the investigator's view and said that the investigator had simply sided with the bank. He said that Monzo had treated him unfairly and knew what a terrible impact sending back his November UC payment would have on him – especially since he had a disability.

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.

Firstly, in response to the investigator's view, Mr M has said he is concerned that the investigator is biased because she hasn't upheld his complaint – with the implication being that the bank is influencing our conclusions inappropriately. Whilst I do recognise his concern, as an ombudsman service our approach is to consider what both parties say and then reach our own independent conclusions on that evidence. That is what we have done in this complaint. If Mr M does not agree with our view, he does not have to accept it, and if he does not accept this final decision, he will be free to continue to pursue his concerns by other means should he wish to do so. I cannot, however, advise him on how to go about doing that.

The investigator was right to point out that Monzo has important legal and regulatory obligations it must meet when providing accounts to customers. These obligations are ongoing, so do not only pertain to when an account is opened. To comply with its obligations Monzo may need to review an account and/or restrict its customer's access.

In order to meet these requirements Monzo is entitled to ask a customer for more information about how they use their account, including payments which are made into and out of an account. And it's not for this service to interfere with the bank's processes. Our role is to see if the bank has made any mistakes and then put the customer back in the position they'd have been in if the mistake hadn't happened.

Having looked at all the evidence, I don't believe it was unreasonable in the circumstances for Monzo to block Mr M's account and ask him for information about the money which had been paid into it in September 2021. Having looked at the activity on Mr M's account I can see that the payments were out of character, so I can understand why Monzo had concerns and wanted to find out more about the transactions. So, whilst I accept this caused Mr M inconvenience, I can't say Monzo treated him unfairly when it blocked his account. And asked him to provide information so that it could comply with its regulatory obligations.

I can see that Monzo asked Mr M via its in-app chat to provide it with the information on four separate occasions between 17 October 2021 and 3 November 2021. Monzo has explained that this was its standard procedure, and I accept that it was. It's unfortunate that Mr M didn't receive Monzo's requests due to not having access to his phone, which was in for repair and being in hospital. But I can't hold Monzo responsible for Mr M not receiving its messages. The bank had no way of knowing what was happening with Mr M and that he hadn't received its requests, until he contacted them on 19 November 2021.

The timing of Monzo's actions was unfortunate. Mr M had just come out of hospital to find his bank account blocked and his UC payment not in his account. So, I can understand why he found this whole experience with Monzo frustrating. But as I've already explained financial businesses have a legal obligation to comply with various laws and regulations. And Monzo were following an internal process which they carried out in order to comply with their obligations.

Due to Mr M's account being blocked it wasn't able to receive Mr M's November 2021 UC payment. I've already explained that Monzo's review was a legitimate exercise. So, whilst I appreciate Mr M was inconvenienced when his account was blocked and reviewed, I can't say Monzo treated Mr M unfairly when it blocked Mr M's account and returned his benefit payment. I note too that Monzo completed its review within three days. So, I'm satisfied it completed its review in a timely manner

I know Mr M is seeking compensation to cover the trouble and upset he was caused by Monzo blocking his account and returning his benefit money. But it wouldn't be appropriate for me to award any compensation since I don't find Monzo acted inappropriately.

I then turn to the bank's decision to close Mr M'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.

Banks should, however, 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 M's account with two months' notice. So, it was entitled to close the account as it has already done.

In summary, I appreciate that it was inconvenient for Mr M when Monzo blocked and closed his account. And returned his funds to DWP. So, I realise he will be disappointed by my decision. But I don't believe Monzo acted unreasonably or treated Mr M unfairly in taking the actions it did. So I won't be asking Monzo to do anything to resolve Mr M's complaint.

My final decision

For the reasons I've explained, my final decision is that 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 11 April 2023.

Sharon Kerrison
Ombudsman