

## **The complaint**

Mr I, a sole trader, complains Monzo Bank Ltd unfairly restricted and closed his business account and returned funds held in it to the source account. I will refer to the business as S.

To put things right, Mr I wants Monzo to return the funds to S and pay compensation for the distress and inconvenience it has caused.

## **What happened**

In early September 2022 Monzo contacted Mr I to explain it needed more information about two transactions into S's account. The account was frozen whilst Monzo reviewed the information requested, which included invoices and details of the business transaction. Based on its review and Mr I's responses, Monzo closed S's account immediately and the funds were returned to sender.

Monzo notified Mr I of the closure of S's accounts, and he raised a complaint as not all the funds within the Monzo accounts were transferred to his nominated account. Monzo accepted there were delays in transferring some of Mr I's personal funds and offered Mr I £50 in recognition of this delay. Monzo explained it wouldn't be refunding the £2,958.21 in S's account as this was returned to the sending bank based on its review of the account and the additional information Mr I provided. Mr I reiterated the payment was for the purchase of a vehicle and S was entitled to the funds. As Monzo maintained its position, Mr I brought his complaint to our service.

An investigator reviewed Mr I's concerns and after gathering further evidence, in summary, found that:

- Based on all the evidence they were satisfied that a sale of the car took place and therefore S was entitled to the funds.
- S and Mr I have been disadvantaged as it is now without funds for the vehicle it has sold.
- The criteria for immediate account closure had not been met.

The investigator recommended Monzo increase its offer of £50 for the delays Mr I experienced to £150. They also recommended Monzo refund S the payment of £2,958.21 that it returned to sender, with 8% simple interest applied from the date of debit to the date of settlement.

Monzo didn't respond to the investigator's recommendations, so the complaint has been passed to an ombudsman for a 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.

Monzo, like all financial businesses, is required to have processes and procedures in place to combat fraud and financial crime. This means financial institutions will share information with each other to ensure its customers' accounts are protected. In this case, Monzo received two separate reports about two payments received to S's account. Monzo blocked and reviewed the accounts and looking at the evidence available I'm satisfied Monzo was acting in line with its legal and regulatory obligations here. However, I am not persuaded Monzo acted fairly when carrying out the checks to establish proof of entitlement. I'll explain why.

Monzo received two notifications regarding payments into S's account. Monzo has provided details of its investigation, and I can see that both claims were similar and concerned the sale of what seems to be the same vehicle. Monzo asked Mr I for further details and he provided an explanation of the sale and the invoice. Monzo's notes indicate that Mr I's explanation wasn't enough to explain both incoming payments, and so it decided to close the account.

As part of looking into this complaint, our Investigator has asked Mr I to give us more evidence about the sale. Mr I provided details of the sale advert for the vehicle, invoices and the new keeper details. This information, when considered alongside S's previous account activity demonstrates the funds were received for what seems to be the legitimate sale of a vehicle. I say this because the payment amounts and references correspond to the invoice details, and Mr I has shown a vehicle was registered to the buyer. The payments are in keeping with the activity on the account, and I think Mr I has provided a clear account of the sale and his business activity.

Before closing the account Monzo should've been asking further questions and given Mr I an opportunity to provide further evidence to show S's entitlement to these funds. Monzo closed the account based on incomplete information, and a more detailed review would've shown S most likely received the funds legitimately as part of his normal trading. Because of this I don't think Monzo should have returned the funds to the source account, and closed Mr I and S's accounts immediately.

### **Putting things right**

To put things right, Monzo Bank, must:

- Pay S all the funds it withheld which I understand to be £2,958.21
- Pay 8% simple interest on £2,958.21 from September 2022 up until settlement\*
- Pay Mr I £150 compensation for distress and inconvenience

\* If Monzo considers it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr I how much it's taken off. It should also give Mr I a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

### **My final decision**

For the reasons above, I uphold this complaint. Monzo Bank must now put things rights as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 2 February 2024.

Chandni Green  
**Ombudsman**

