

The complaint

Miss S complains that Monzo Bank Ltd unfairly closed her account and registered a CIFAS marker against her. CIFAS is the UK's fraud alert service.

What happened

Miss S held an account with Monzo.

In September 2023, a payment of £750 entered Miss S's account. Miss S immediately transferred some of the funds to a third party, and made some cash withdrawals.

Following this Monzo was notified by another bank that the payment that had been made into Miss S's account was fraudulent. Monzo blocked Miss S's account and decided it needed to look into how she was operating the account. Following its review, it placed a fraud marker against Miss S's name with CIFAS. This was for misuse of a facility. Monzo also decided to close Miss S's account immediately.

Miss S complained to Monzo. She explained that the funds were the repayment of a loan. Monzo asked for details to show Miss S had lent this money to a friend, but Miss S was unable to provide adequate evidence. Miss S said she wasn't involved in any fraud, and the closure of her account was unfair.

Monzo looked into Miss S's complaint and didn't agree it had acted wrongly. It said it had closed Miss S's account in line with the terms and conditions of her account.

Unhappy with this response Miss S brought her complaint to our service. An Investigator looked into Miss S's complaint and asked Miss S about her account activity and whether she had any evidence to support her explanation. Miss S initially told the Investigator she met an individual at a party, and she was persuaded to accept money into her account, from an account that didn't match this individual's name. Miss S later asked a family member to speak to our service and changed her account of events. Miss S explained she didn't know any of the individuals involved with the transfers in and out of her account. Miss S also didn't explain why she made cash withdrawals following the transfer into her account.

Whilst the complaint was with our service Miss S raised another complaint with Monzo about the loading of a CIFAS marker, asking for it to be removed. Monzo looked into this separately and said it had loaded the CIFAS marker fairly and in line with its regulatory obligations.

The Investigator reviewed the complaint and in summary made the following findings:

- Monzo fairly reviewed, blocked and ultimately closed Miss S's account given its regulatory and legal obligations.
- Miss S's explanation about her account activity has been inconsistent and unclear. Monzo's decision to apply a CIFAS marker against her name was reasonable.

Miss S disagreed with the Investigator's review and maintained she had been treated unfairly by Monzo. The case has been referred to me – 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.

Account block and closure

I'll deal first with Monzo's decision to block and close Miss S's account. Monzo has extensive legal and regulatory responsibilities they must meet when providing account services to customers. In Miss S's case Monzo was alerted to activity on Miss S's account and was under a duty to review the account. Monzo therefore applied an immediate block whilst it conducted its review. Having looked at all the evidence, I'm satisfied that Monzo acted in accordance with these obligations when it blocked and reviewed Miss S's account. And that it was entitled to do so under the account terms and conditions.

Monzo was also within its rights to close Miss S's account immediately and did so line with the account terms and relevant regulations. So, I can't say Monzo have done anything wrong when it closed Miss S's account.

CIFAS loading

The marker that Monzo has filed is intended to record that there's been a 'misuse of facility' – relating to using the account to receive fraudulent funds. In order to file such a marker, it isn't required to prove beyond reasonable doubt that Miss S is guilty of fraud or a financial crime, but it must show that there are grounds for more than mere suspicion or concern.

The relevant guidance says:

- There must be reasonable grounds to believe that an identified fraud or financial crime has been committed or attempted;
- 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 that fraudulent funds have entered Miss S's account, whether they are retained or pass through the account.

To satisfy this test, Monzo will need to have strong evidence to show that Miss S was deliberately dishonest in receiving the fraudulent payment and knew it was, or might be, an illegitimate payment. This can include allowing someone else to use their account to receive an illegitimate payment. But a marker should not be registered against someone who was unwitting; there should be enough evidence to show complicity.

To meet the standard of proof required to register a fraud marker, Monzo must carry out checks of sufficient depth and retain records of these checks. This should include giving the account holder the opportunity to explain the activity on their account in order to understand their level of knowledge and intention.

In Miss S's case Monzo was alerted to the payments into the account by a third-party bank. As part of its review Monzo highlighted specific activity to Miss S, which included transfers

into her account and a payment onwards from her account to a third party. At the time Miss S claimed the funds were paid into her account as repayment of a loan. But Miss S couldn't provide any further details about this, or specific information about the third party some of the funds were forwarded onto. Monzo didn't find Miss S's comments plausible.

When Miss S referred her complaint to our service she provided further details, explaining she met an individual at a party and was persuaded to receive money into her account from them. Miss S later asked a family member to speak to our service, and during this call it was claimed Miss S didn't know any of the individuals involved with the transfers into and out of her account. Miss S's comments have been inconsistent and contradictory, and her testimony doesn't provide a plausible explanation as to how the funds moved through her account. In my view, Miss S would've had to actively be involved to transfer the funds from her own account.

My role is to establish if Monzo has sufficiently demonstrated it's met the burden of proof set out by CIFAS to load the marker against her. And when considering the evidence, I find that it has. This, in my view equates to more than mere suspicion or concern and I therefore find that the marker was loaded fairly.

I know this will not be the outcome Miss S was hoping for and I understand the application of a CIFAS marker against her name will have significant consequences. But I am satisfied Monzo acted reasonably in taking this action to discharge its regulatory obligation. I know Miss S will be disappointed with the decision I've reached, but I hope it provides some clarity around why I won't be asking Monzo to take any further action.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 23 July 2024.

Chandni Green
Ombudsman