

The complaint

Mr P complains Monzo Bank Ltd (“Monzo”) restricted and closed his account. And that it unfairly registered a fraud marker against him, and his overdraft debt should be written off.

Mr P says this has caused him substantive distress, inconvenience, and the loss of a job.

What happened

In January 2023, following an internal review, Monzo restricted Mr P’s account. Shortly after it notified him that it was closing his account. On 30 January 2023, Monzo applied a CIFAS (Credit Industry Fraud Avoidance System) ‘misuse of facility’ marker against him.

Mr P’s account was in an overdraft position of around £251 when the account was closed.

Initially, Mr P didn’t know about the CIFAS marker being applied against him. So he only complained to Monzo about the account closure. Monzo didn’t uphold his complaint saying it had followed its procedures correctly in doing so. Monzo also said it couldn’t give Mr P an explanation.

Mr P referred his complaint to this service. Mr P later discovered Monzo had applied the CIFAS marker as he was unable to open a new bank account. Mr P also said he was declined a new job as the DBS check the prospective employer carried out failed.

One of our Investigator’s looked into Mr P’s complaint. Monzo informed this service that it was removing the CIFAS marker.

Our Investigator recommended Mr P’s complaint be part upheld. In summary, the key findings they made were:

- By removing the CIFAS marker, Monzo has accepted it did not meet the required tests for applying it
- Though Mr P has said the CIFAS marker has caused him problems with opening bank accounts and cost him his job, the evidence he’s provided indicates the marker isn’t what caused this
- But the marker has prevented Mr P from getting a replacement bank account. Because of this Monzo should pay Mr P £300 in compensation
- An overdraft is repayable on demand, and there are no grounds for Monzo to write-off Mr P’s overdraft debt. Monzo should however act fairly when agreeing any repayment plan with Mr P

Mr P didn’t agree with what our Investigator said. He says the compensation isn’t sufficient given how long the marker was wrongly applied and the stress it has caused him. Mr P is happy to agree a repayment plan with Monzo for the overdraft balance.

Monzo then sent Mr P its final response in relation to the CIFAS marker. In short, Monzo’s

main points were:

- It was upholding Mr P's complaint about the CIFAS marker being applied and will remove it from the database. And for the inconvenience this has caused, Monzo offered Mr P £250 compensation
- It cannot provide an explanation for why Monzo added the marker, but it has been deemed as unnecessary. The marker was removed on 7 November 2023, but it may not be until January 2024 before the CIFAS database reflects this
- Monzo made errors in the way it handled Mr P's complaint and so would like to offer a further £30 compensation for this. Specifically, Monzo accept it took too long to send Mr P a response about the marker when he complained about it
- It cannot re-open or offer Mr P a new account
- Mr P has an outstanding amount he owes Monzo of £251.71, and he can choose to offset the compensation against this if he wishes

Mr P said he still can't open an account and questioned if Monzo had removed the CIFAS marker. Our Investigator said they were satisfied Monzo had removed it. As there was no agreement, this complaint was passed to me to decide. I then sent both parties my provisional decision. For ease of reference, here's what I said:

Provisional decision

"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'm planning on upholding this complaint in part. I'll explain why.

CIFAS marker

The marker Monzo 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's not required to prove beyond reasonable doubt Mr P is guilty of a fraud or financial crime, but it must show there are grounds for more than mere suspicion or concern.

Monzo accept that it shouldn't have applied this marker and has said it has been removed. Monzo has sent me information which I'm satisfied shows it has removed the marker in November 2023. Monzo has also said it may not be until January 2024 when the marker will no longer be visible on CIFAS' database.

That means Mr P has unfairly had a CIFAS marker applied against him from 30 January 2023 up until probably January 2024. Mr P says this has cost him the ability of being able to open a replacement account, and that he lost his job and a prospective one due to failing government DBS (Disclosure and Barring Service) checks.

But the evidence Mr P has sent in of failing his DBS check predates the marker being applied. This evidence also shows Mr P was declined the job due to a conviction. I'd also add that the government website page about DBS checks shows what is checked, and this doesn't include a CIFAS or any other fraud marker check. So I'm satisfied Mr P didn't lose his job, or the prospect of a new one, because of the marker. That means Monzo doesn't need to pay him any compensation for this.

However Mr P has shown that he has been declined a new bank account – including a Basic account. Mr P says he's been forced to use the accounts of his close family as a result to get by, and Monzo's actions have caused him financial difficulty. So it's likely the marker has caused a significant impact to Mr P in the way he has explained.

But I must mitigate this against the information he's sent in about his credit file. This shows that he has several defaults registered against him from 2019, 2020 and later. This information after all wouldn't be conducive either to him getting any new financial products.

Having carefully considered the impact, and the distress and inconvenience it would have caused; I'm persuaded £500 is fair compensation.

Account restrictions 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.

Monzo is entitled to close an account just as a customer may close an account with it. But before it closes an account, Monzo 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 P had to comply with, say that it could close the account by giving him at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

I've seen an email from Monzo sent to Mr P on 21 January 2023 that it was closing his account in 62 days' time and that he would have access to it until March 2023. Equally, I've also seen communication that suggests Mr P's account was closed immediately.

I've not looked into this point further as I'm satisfied from the evidence and explanation Monzo has given me that it was entitled to close Mr P's account immediately. I know Mr P would like a detailed explanation, but Monzo is under no obligation to do so.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information Monzo has provided is information we consider should be kept confidential.

As Monzo hasn't done anything wrong in restricting and closing Mr P's account, it doesn't need to pay him any compensation for the distress and inconvenience this may have caused.

Overdraft debt

Mr P took out an arranged overdraft with Monzo. I haven't seen anything to suggest he shouldn't be liable for this debt. Overdrafts are payable on demand. Mr P may choose for Monzo to offset his compensation against his debt. But if he doesn't, Monzo should work with him in line with its normal procedures to agree a repayment plan.

Lastly, Monzo has offered to pay Mr P £50 for how long it took to respond to his complaint about the CIFAS marker. I'm satisfied this is fair compensation"

Mr P agreed with what I said I was planning on deciding. Monzo has not responded. As the

deadline for further comments and evidence has now passed, I will 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, and for the reasons in my provisional decision – as above – I have decided to uphold this complaint in part.

Putting things right

To put things right, Monzo must:

- Pay Mr P £500 compensation for the distress and inconvenience it caused him for unfairly applying a CIFAS marker
- Pay him £50 compensation for its handling of his complaint

Mr P has sent the bank details he wants his compensation paid into. Our Investigator will send this to Monzo.

My final decision

For the reasons above, I uphold this complaint in part. Monzo Bank Ltd must now put things right as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 20 May 2024.

Ketan Nagla
Ombudsman