

## **The complaint**

Mr T has complained that Monzo Bank Ltd ('Monzo') closed his account without notice and placed a Credit Industry Fraud Avoidance System ('CIFAS'- the UK's fraud alert service) marker against his name. He says this is preventing him from opening another bank account and wants the marker removed.

## **What happened**

Monzo got in touch with Mr T in June 2023 to ask about two payments which had been paid into his account in February and March 2023 for £620 and £595 respectively. It asked for information about these payments and evidence in support.

Mr T responded two days later and said he was abroad hence the delay in responding. He said he is a student and that most of the payments into his account are made by his brother to help him with his expenses. He said he sometimes collects money from relatives which he sends to charities in other countries. He said the particular transactions were in relation to a school abroad and him being a guarantor for a business that supported that school. The money was paid into his account by the user of the service. Mr T said he had since stopped acting as a guarantor. He said he would be happy to provide a refund if the service user was unhappy with the service they received.

Monzo asked Mr T what service had been provided and asked for evidence to support Mr T's entitlement to those funds. Mr T said he had made a mistake calling it a "service" and that he had no direct relationship with the payee so could not provide any documents. Mr T again offered to provide a full refund and take on any losses himself. He said he would do so, because his account was used to receive this money. He said he was still abroad and needed access to cash.

Monzo decided to close Mr T's account on 26 June 2023 with immediate effect. It told Mr T it wasn't able to tell him why it closed his account, but this was in line with its legal and regulatory responsibilities. Mr T continued to ask for updates over the week after his account was due to be closed but Monzo said it wasn't able to provide any.

Monzo logged a complaint on Mr T's behalf on 28 June 2023 which it responded to on 8 September 2023. Monzo didn't uphold the complaint. It said it made a commercial decision to close Mr T's account and that it wasn't able to provide its precise reasoning. It said its actions were in compliance with its legal and regulatory obligations and also in line with its terms and conditions.

Mr T then brought his complaint to us. He said he wasn't given a chance to provide a proper explanation and that Monzo had registered a CIFAS marker against him which was making it

difficult for him to open a new account. He said he wanted the CIFAS marker removed and his account reopened. He said he was impacted at the time as he was abroad and had no access to his funds. He also said that he needs a bank account for his day-to-day spending and for money, including his student bursary, to be paid into. Finally, Mr T said Monzo didn't respond to his complaint till September 2023 despite telling him its response was due on 11 July 2023.

One of our investigators reviewed the complaint but he didn't think it should be upheld. He thought that Monzo was acting in line with its legal and regulatory obligations when it closed the account and also in accordance with its terms and conditions. He also thought it acted fairly and reasonably in loading the CIFAS marker and didn't think it should be removed.

Mr T didn't agree and asked for an ombudsman's decision. He said he no longer needed a Monzo account but still wanted the CIFAS marker removed. He provided an additional explanation regarding the transactions. He said he works with a lot of charities in the UK and abroad. He said that one of those charities is a school. The person who runs that school, who I'll refer to as Mr H, asked him for help in relation to a personal business of his where he offers services to UK businesses. Mr T said he refused on more than one occasion. Mr T said he finally agreed to provide his name as a guarantor for a transaction with a value of up to £1,500. He said Mr H then asked him to give him his personal bank statement as confirmation that he lived in the UK. A few days later he received the £620 and £595 payments into his account. Mr T said he had no knowledge that he would get this money. He said Mr H told him the payee was someone he had provided a service to. Mr T said he asked Mr H not to use his details again and no further payments were made. He said he sent the money to Mr H on the provision that his details would not be used again. Mr T said he accepted that he may be liable for those two transactions if Mr H did not have a genuine business.

Mr T said if he had been dishonest, he would not have offered to refund the payee. He said he had not been deliberately dishonest or wittingly complicit in any fraud. He said he was the victim of fraud and not the perpetrator as he was the one who lost out from all this because he sent the money to Mr H and Monzo returned the funds to the original payee. He added that he had not seen evidence that the transactions were fraudulent.

The matter was then passed to me to decide. Our investigator responded to Mr T asking for evidence in support of him not agreeing to the payments meant for Mr H as well as him being the victim and not the perpetrator of fraud. Our investigator provided a deadline for Mr T to respond by but the information wasn't provided by then. So I decided to proceed with my 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.

#### The closure of the account

Monzo has important legal and regulatory responsibilities to meet when providing accounts to customers. Those obligations are ongoing and don't only apply when an account is opened. They can broadly be summarised as a responsibility to know its customers, monitor accounts, verify the source and purpose of the funds as well as detect and prevent financial harm.

Monzo will review accounts to comply with these responsibilities. It's common practice for banks and other financial service providers to restrict access to accounts to conduct a review- doing so helps prevent potential financial loss or other harm that could otherwise result.

Monzo's terms and conditions say that it can close an account by giving two months' notice or with immediate effect in certain circumstances.

Having reviewed all the evidence, including the information Monzo provided in response to the investigator's view, I'm satisfied that it was acting in line with its legal and regulatory obligations when it reviewed Mr T's account.

I've also considered the basis for Monzo's review, which I find was legitimate and in line with its legal and regulatory obligations. So I'm satisfied Monzo acted fairly by blocking Mr T's account.

As I said above, Monzo decided to close the account with immediate effect.

Having looked at all the evidence and the terms and conditions I'm satisfied that Monzo was acting fairly and reasonably when it closed the account with immediate effect. Monzo has provided some further details of its decision-making process which, unfortunately, I can't share due to its commercial sensitivity. But I've seen nothing to suggest that Monzo's decision around closing Mr T's account was unfair.

### The CIFAS marker

The marker that Monzo has filed with CIFAS 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's not required to prove beyond reasonable doubt that Mr T is guilty of a fraud or financial crime, but it must show that 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 that fraudulent funds have entered the consumer's account, whether they are retained or pass through the account. Secondly, the bank will need to have strong evidence to show that the consumer 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 in

order to receive an illegitimate payment. But a marker should not be registered against someone who was unwitting; there should be enough evidence to show deliberate complicity.

The relevant finding for me to make is whether I think there is sufficient evidence to meet this standard of proof, to determine whether Monzo was entitled to escalate its concerns. Having looked at all the information provided, I'm satisfied it has and I say this because:

- Monzo got in touch with Mr T about two transactions, one for £620 and one for £595. Both were from the same payee. Monzo asked Mr T for proof that he was entitled to those funds but Mr T said it wasn't reasonable for him to provide this as he did not have a direct relationship with the payee. So Mr T wasn't able to prove he was entitled to those funds.
- Mr T said he hasn't been notified that the payments were fraudulent. But he told us that he had received those payments "randomly" into his account and that he was upset and angry with Mr H and asked for this not to happen ever again. He also said that he would be happy to provide a full refund himself even though the payments were for a service he wasn't responsible for. I think this suggests that Mr T was reasonably suspicious the payments may have been fraudulent.
- Furthermore, after receiving those payments, though random and for an unknown reason, Mr T didn't seek to refund those to the unknown payee or notify Monzo that he had received payments he wasn't aware of. Instead, he said he paid the money to Mr H and asked him not to use his account in this way again. I think this shows a reasonable suspicion that something untoward had happened. I think at this stage it would have been reasonable for Mr T to notify Monzo to let it know he had received two payments he didn't recognize. But instead he facilitated the transfer of funds he reasonably suspected to be fraudulent to a person he reasonably suspected to have been the perpetrator of the fraud. Mr T told us he himself was the victim of the fraud and I assume he considers Mr H to have been the perpetrator.
- Mr T initially said that Mr H worked with one of the schools that one of the charities he works with helps out, but he told us that Mr H reached out to him to be a guarantor in relation to a personal business of his. So I think there is inconsistency in Mr T's account of events.
- Mr T also said that he didn't consent to any payments being made to his account from or for Mr H but he told us that he provided a guarantee for one payment up to £1,500. Also when Monzo got in touch to ask Mr T for proof of entitlement to those funds he said that they were for a service someone else had provided to the payee and that his account had been used to receive those payments. He didn't indicate that the payments were "random". So I think Mr T has, again, been inconsistent here.
- Our investigator asked Mr T for evidence of his communications with Mr H so he could show that he had initially refused to act as a guarantor and that he didn't know about the payments but he didn't provide any. In the absence of such evidence it isn't possible for me to agree with what Mr T has told us.

When I weigh everything up, I'm not persuaded by Mr T's version of events that he knew nothing about the payments. Having looked at all the evidence, including some evidence which was shared with us in confidence and which I can't share with Mr T, I think there

would've been good grounds to report the events here to the police to investigate, and that Monzo was therefore justified in placing a CIFAS marker against Mr T's name. I think the evidence shows that Mr T was involved in a deliberate misuse of facility as a money mule. I also think it more likely than not that Mr T knew rather more about the account activity than he's told us or Monzo. So I won't be asking Monzo to remove the marker.

For completeness I will say that I note Monzo said its final response letter was due on 11 July 2023 and that it was delayed as it wasn't issued till September 2023. From what I have seen the complaint was logged on 28 June 2023 so I think it's response wasn't due till 28 August 2023- allowing for the eight weeks it has to respond.

I appreciate Mr T will be disappointed with my decision and I fully appreciate the impact the fraud marker is having on him. But for the reasons I've given I don't think Monzo has acted in a way that was unfair or unreasonable in the circumstances.

### **My final decision**

For the reasons above, I am not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 16 July 2024.

Anastasia Serdari  
**Ombudsman**