

The complaint

Mr R has complained that Monzo Bank Ltd registered a fraud marker against him.

What happened

In 2021, Mr R received a few payments of amounts between £100 and £250, which he forwarded onto a friend's account. Later, the sending banks reported that two of the payers had bought goods on social media, but didn't receive them, and got only limited contact from the seller.

Monzo did not investigate at the time. It simply closed the account and registered a fraud marker against Mr R.

In 2022, Mr R discovered the marker and queried it with Monzo, but Monzo didn't get back to him. In 2023, Mr R complained. After a long delay, Monzo said it would keep the loading and would not explain its reasons.

Mr R came to our service. He explained that his friend said she was having trouble receiving payments from buyers, so she asked him to receive payments on her behalf and forward them to her. She was already a longstanding payee on Mr R's account. Mr R explained he thought he was just doing a favour for a friend, and he didn't know there was anything ill-natured involved, so he didn't question it and just went along with it.

Our Investigator looked into things independently and upheld the complaint, recommending that Monzo removes the marker and pays Mr R £300 compensation. Mr R agreed, but Monzo did not, so the complaint's been passed 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.

I need to consider whether this fraud marker was applied fairly. On this point, Monzo needed to have more than just a suspicion or concern. It needs to be able to show that it had reasonable grounds to believe that Mr R had knowingly and willingly involved himself in attempted fraud or financial crime, backed up by evidence rigorous enough to support the matter being reported to the authorities.

The problem here is that Monzo did not investigate things at the time. As it should well know, it was required to contact Mr R before adding this marker, to give him the opportunity to explain things. It needed to try more than one contact method and give him sufficient time to respond. Yet it did not do so. This is concerning. Fraud markers are serious, and must not be added without serious consideration. It was a substantial failing by Monzo to fail to investigate at the time.

Monzo argues that its internal process at the time was to not contact customers in this sort of situation. But that's irrelevant. Monzo cannot ignore its obligations just by making it its internal process to ignore its obligations; nor will I find that it was reasonable for Monzo to treat Mr R unfairly just because its internal process was to treat him unfairly. Similarly, Monzo argues that a staff member at Cifas agreed with the loading. That's not relevant in this complaint either. Ultimately, it is our service which Monzo needs to satisfy.

As Monzo failed to investigate at the time, it means I don't have any contemporaneous testimony to compare Mr R's current testimony to. And it's difficult to see how Monzo could have been satisfied that Mr R intentionally aided in fraud without actually looking into the matter first, nor how it thought it had evidence rigorous enough to confidently report this to the authorities when it didn't bother to ask for any evidence. Monzo says that it contacted Mr R after our Investigator issued their opinion – but that's much too little, much too late. As Monzo should well know, once the case came to our service, the investigation was directed by our service and contact would go through us. We told Mr R that he did not need to reply to Monzo's message – he was already dealing with us. Mr R has explained that most of the contact with his friend took place on a common app which automatically deletes messages after some time – so naturally, they're not still available nearly three years later. And he's since changed phone and provider – which appears to be the case as he did change number. So he can't evidence the contact from the time.

Ultimately, it seems that Monzo's failure to investigate – and its substantial delays – undermined both its own position and our service's ability to investigate now. And the starting position is that if there's not sufficient evidence to support the marker, then it must be removed.

Mr R's account had been open for over two years before this incident, and appears to have been running as a normal account. So I have no good basis on which to think he opened the account for the purposes of fraud. Instead, this looks like it was a genuine account of Mr R's, which he would be disincentivised to risk by knowingly helping someone else commit fraud.

The friend was set up as a payee a year prior, so this suggests Mr R did have a pre-existing relationship with them. And I can see how Mr R might've believed that if she was having problems receiving money from new payers, it might help if she was forwarded the funds from a longstanding payer instead.

While some of the funds were forwarded on quickly, some of them were forwarded on really quite slowly. If Mr R knew he was aiding in fraud, he would've understood that all the funds would need to be forwarded on as quickly as possible, before the fraud was discovered. The fact that some of the funds were moved on slowly fits better with Mr R thinking he was just doing a friend a favour.

As far as I can see, Mr R did not benefit from the payments at all. All the money went on to the friend. Again, this fits better with Mr R thinking he was doing a friend a favour, rather than him intentionally acting as a money mule.

It's notable that Mr R received other payments for his friend which were never reported as fraudulent. And one sending bank noted that the seller had been recommended by someone the payer knew, and seemed otherwise legitimate. So there's a chance that this was simply a case of two particular orders having an admin issue, a delivery failure, a false report, or some other buyer/seller dispute, rather than this being fraud. Further, the sending banks' reports do not say or imply that the victims dealt with Mr R directly – there's nothing which shows he was involved in the alleged fraud itself.

Mr R's testimony seems broadly consistent and plausible. And it's notable that he tried to find out what was going on and resolve things, not least once he discovered the marker, but he was broadly stonewalled by Monzo until long after he came to our service.

So Monzo has not provided sufficient evidence that Mr R knowingly and willingly involved himself in fraud, let alone evidence rigorous enough to support this marker. I'm not even completely satisfied that this was a fraud issue in the first place. And I cannot rule out that Mr R was simply taken advantage of, not least given his young age at the time.

As such, I agree with our Investigator that Monzo needs to remove the marker.

I understand that Monzo's failures caused Mr R some acute stress, and trouble in keeping an account, which went on for longer than it should have – not least given Monzo's delays. Taking into account the impact this had on Mr R, alongside our guidelines for compensation, I agree that Monzo should pay him £300 to put things right.

Putting things right

I direct Monzo Bank Ltd to:

- remove any information it's shared with fraud marker databases in relation to this matter; and-
- pay Mr R £300 compensation for the trouble and upset it caused.

My final decision

For the reasons I've explained, I uphold Mr R's complaint, and direct Monzo Bank Ltd to put things right by doing what I've said above.

If Mr R accepts the final decision, Monzo Bank Ltd must carry out the redress within 28 days of the date our service notifies it of the acceptance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 16 September 2024.

Adam Charles
Ombudsman