

The complaint

Mr A complains that Monzo Bank Ltd restricted and then closed his business account. Following closure, it retained more than £4,000.

What happened

Mr A held a business account with Monzo. From around June 2023, Monzo placed restrictions on the account while it carried out a review.

On 25 July 2023 Monzo gave Mr A notice that it would be closing the account after two months – that is, it would be closed on or about 25 September. The closure notice said that Mr A would still be able to use the account, and it invited him to provide details of the account to which funds on the account should be transferred.

Mr A was however unable to use the account or to transfer funds from it.

On 25 September 2023 Monzo contacted Mr A again to say that the account had been closed. It repeated its invitation to Mr A to provide details of the account to which funds should be transferred.

In the event, funds were not transferred to Mr A's nominated account until 5 October 2023. When Mr A complained about what had happened, Monzo acknowledged that the money should have been transferred earlier than it was. In recognition of that, it offered Mr A £150 and interest on the account balance at 8% a year from 22 August to 5 October 2023 – which it calculated to amount to £38.89.

Mr A did not accept the bank's offer. He said he thought he should receive £500 and the interest which Monzo had offered. Monzo did not accept Mr A's counter-offer, and so one of our investigators considered what had happened.

Our investigator was initially unable to obtain very much information from Monzo about its actions. He therefore issued an assessment based on the evidence he had at the time. He agreed that Monzo should pay interest as it had offered, but he thought that it should increase its offer in recognition of the inconvenience to which Mr A had been put to £350.

The investigator's recommendation wasn't accepted, and Monzo provided further information – some of it in confidence, as provided for by our rules.

Having reviewed that information, the investigator issued a revised assessment. He concluded that Monzo's initial offer of £150 plus interest on the account balance was reasonable. Monzo accepted the second assessment, but Mr A didn't, and asked that an ombudsman review the case.

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.

Banks and other account providers have certain legal and regulatory duties. To meet those obligations, they may in some cases review accounts and are generally entitled to restrict them while they carry out a review. In some cases, they may be under a duty to do so.

Further, it is generally for banks to decide whether to provide, or to continue to provide, account services to any particular customer. They can exercise their commercial discretion in such matters and, as long as that discretion is exercised legitimately, this service won't usually intervene. I have considered that issue here, and am satisfied that Monzo's decision to block and then to close Mr A's account was a legitimate one. Monzo did not have to tell Mr A exactly why it had decided to close his accounts.

However, I do believe in this case that there were some failings in the way Monzo closed Mr A's business account.

Banks should give reasonable notice before closing an account, which in most cases will mean 60 days. Monzo gave Mr A 60 days' notice in this case, and I am satisfied that was reasonable in the circumstances.

However, the closure notice included statements that the account would remain operational during the notice period and that Mr A could transfer funds to a new account. The second statement was repeated when the account was closed in September 2023. Those statements were not correct.

It may be that the incorrect statements were included in template communications and that they would be accurate in most cases. But Mr A's account was already restricted, so they weren't appropriate to his situation. I can understand why he might have found them frustrating and confusing.

I agree therefore that Mr A should receive some compensation for the misleading information he was given. And I agree too that funds should have been released sooner than they were. However, I think that the compensation which Monzo offered was fair and reasonable in the circumstances.

I will nevertheless make a formal award in Mr A's favour, so that the bank's offer cannot be withdrawn and so that Mr A can enforce it, should he need to do so.

My final decision

My final decision is that, to resolve Mr A's complaint in full, Monzo Bank Ltd should pay him £150, together with interest on the account balance at the time of closure. Interest should be paid at 8% simple a year from 22 August to 5 October 2023.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 23 August 2024.

Mike Ingram
Ombudsman