

The complaint

Mr U complains that Monzo Bank Ltd ('Monzo') blocked and then closed his bank account without notice. He says he wants funds that it returned to source to be returned to him.

What happened

Monzo blocked Mr U's account in September 2023 and asked him to provide information in relation to a payment which had been made into his account in August 2023. Mr U said it was in relation to freelance work. The account was unblocked in October 2023 but a week or so later it was blocked again. Monzo asked Mr U to provide further information in relation to three other transactions which took place in August 2023. Mr U said that two payments were with regards to freelance work he had done, and one payment was to family. Monzo then asked about one of the payments again which Mr U again said was for freelance work. Mr U was asked for evidence in support such as bank statements or invoices but he said he could no longer access those.

On 30 November 2023 Monzo decided to close the account with immediate effect. It emailed Mr U to let him know and said it would return some but not all his funds to him. It also asked Mr U for a selfie with him holding his photo ID so it could verify his identity.

Mr U provided what had been requested from him and Monzo sent him his account statements which he'd asked for. He noticed that £378.26 had been taken out of his account and questioned why that had been done. Monzo said the money had been returned to source.

Mr U wasn't happy about this and complained. He said no one obtained his authority for those funds to be sent back.

Mr U got in touch with Monzo after a few days as he hadn't heard from the complaints team. He also said that his monthly payment for his Monzo card was due at the end of December 2023 and wanted Monzo to confirm whether this was still due. Monzo said it was.

Monzo also said that its complaints team had emailed Mr U but when Mr U queried this it said that they still had time to respond to the complaint. Monzo wrote to Mr U later and said that it wasn't able to respond to his complaint within the prescribed timescales and referred him to our service.

Mr U complained about Monzo's delay in responding to his complaint.

Mr U then brought his complaint to us. He said he was impacted by the closure of his account. He said he nearly missed some bill payments and that he missed his Monzo card

payment which affected his credit score. He wasn't happy about Monzo's communication with him and said it lied about emailing him. He said Monzo upheld a complaint he had raised previously about his account being blocked between September and October 2023 and paid him £50. He said he wanted the money that Monzo had returned to source back.

Monzo provided its final response while the complaint was with us. It offered Mr U £25 for the delay in responding to his complaint but it didn't uphold his complaint about his funds being returned to source. It said it followed its internal procedures and that it wouldn't be able to provide Mr U with more information regarding its decision.

One of our investigators reviewed the complaint but didn't think it should be upheld. She thought Monzo was acting in line with its legal and regulatory obligations when it returned the funds to source and also when it blocked and closed the account without notice. She said she hadn't seen any evidence that Mr U had missed bill payments and also took into account that he had another account with another bank at the same time. She added that as Mr U didn't complain about his credit score when he initially complained to Monzo, this wasn't something she was able to look at as part of this complaint. She also thought that the £50 Monzo paid Mr U as compensation for minor service failings was fair and reasonable in the circumstances.

Monzo had no further comments in relation to our investigator's view but Mr U didn't agree. He said the £50 compensation was paid in relation to his previous complaint and not this one. He added that the money that was taken out of his account had been earned through hard work and that he wasn't given the opportunity to defend himself. Mr U asked for an ombudsman's decision.

Our investigator responded to Mr U and noted that the £50 had indeed been paid in relation to a previous complaint. But she also clarified that Monzo confirmed that the £25 offer was still open for him to accept. She added that as he had been asked by Monzo to provide evidence in relation to the transactions on his account, she believed he had been given an opportunity to defend himself and his earnings.

The matter was then 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 understand that Mr U had complained about his account being blocked between September and October 2023 and that Monzo responded to that complaint. This decision is not in relation to that complaint but in relation to his subsequent complaint about his funds being returned to source and his account being blocked and closed.

It might be helpful if I start off by explaining that our service doesn't punish or fine businesses, and it's also not our place to say that a procedure the business follows is incorrect. Only the industry regulator, the Financial Conduct Authority (FCA), can do this. As our investigator said, 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.

I've also considered the basis for Monzo's review, which I find was legitimate and in line with its legal and regulatory obligations. 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 froze Mr U's account on this occasion.

I should also add that I don't think Monzo is under any obligation to disclose to its customers what triggers a review of their accounts. For this reason, I can't say that it's done anything wrong by not giving Mr U this information. And it wouldn't be appropriate for me to require it to do so.

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 looked at all the evidence and the terms and conditions I'm satisfied that Monzo was acting fairly and reasonably when it decided to close 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 U's account was unfair.

It's also generally for financial institutions to decide whether or not they want to provide or continue to provide banking facilities to a particular customer. Each financial institution has its own criteria and risk assessments for deciding whether to open or close accounts and providing an account to a customer is a commercial decision that a financial institution is entitled to take. Unless there is a very good reason to do so, this service won't usually say that a financial institution must keep a customer or require it to compensate a customer who has had their account closed.

Monzo returned £378.26 which was in Mr U's account back to source. Mr U doesn't think this is fair and says he never provided his authority for this. Monzo asked Mr U to provide proof he was entitled to certain payments that were paid into his account. Mr U said most of those were paid as a result of freelance work he had done. He said he found those projects through websites or social media sites which he no longer had access to. Monzo asked for evidence in support of one of those payments such as invoices but Mr U wasn't able to provide any due to no longer being able to access those sites. Bearing this in mind, I don't think Monzo's actions in returning some of Mr U's funds back to source was unreasonable.

Mr U said he wasn't given the opportunity to defend himself but, from what I have seen, I think he was. I thought Monzo had clearly explained what information it required from him and I'm satisfied that Mr U understood what he needed to provide. I'm also satisfied that Monzo has these processes in place in order to comply with its legal and regulatory obligations. So I can't say it's done anything wrong by asking Mr U to provide proof of entitlement documents. For these reasons, I won't be asking Monzo to return those funds back to Mr U as, on the evidence I've seen, I'm not satisfied he is entitled to the funds.

Monzo acknowledged that it delayed responding to Mr U's complaint and offered him £25 compensation for this. Bearing in mind it had already referred Mr U to our service and Mr U brought his complaint to us in the meantime, I thought the impact on Mr U was minor. So, I thought this offer was fair and reasonable. Monzo said the offer is still open should Mr U wish to accept it.

For completeness I will say that, like our investigator, I haven't seen any evidence that Mr U missed any bill payments so I am not able to award any compensation for this. In any event as I don't think Monzo's overall actions were unfair or unreasonable I don't think any compensation is warranted. Furthermore, Monzo has said that Mr U delayed paying his card only by a few days and that this wouldn't impact his credit score.

Overall, I appreciate that Mr U would have been frustrated and also inconvenienced by Monzo's decision to close his account. And it must have been disappointing to be told that Monzo didn't wish to offer him its services anymore. So I appreciate he will be disappointed with my decision. But for the reasons I provided above, I think Monzo's decision to restrict and close the account as well as return some funds back to source was fair and reasonable.

My final decision

For the reasons above, I am upholding Mr U's complaint in part. Monzo Bank Ltd must pay Mr U £25 compensation for the distress and inconvenience he was caused by its delays.

Monzo Bank Ltd must pay the compensation above within 28 days of the date on which we tell it Mr U accepts my final decision. If it pays later than this it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

HM Revenue & Customs requires Monzo Bank Ltd to withhold income tax from the above-mentioned interest. Monzo Bank Ltd should give Mr U a certificate showing how much is taken off if Mr U asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 4 September 2024.

Anastasia Serdari
Ombudsman