

The complaint

Ms A complains about the way in which Monzo Bank Ltd handled her concerns about a transaction she didn't recognise. Ultimately this led to the bank closing her account with it.

What happened

Ms A had an account with Monzo. The account included a "Flex" option, which is a type of credit facility. Customers can use Monzo's Flex card like a credit card to make direct purchases, but they also have the option of "flexing" payments made on the current account and repaying them over a period which they choose. Where a customer makes a payment using the Flex card, it appears on the Flex statement against the retailer's name. Where a payment is made from the current account and "flexed", it appears on the Flex statement in the form "[Retailer] moved to Flex".

In April 2023 Ms A made a payment from her current account to a retailer, which I'll call "L". She moved the payment to her Flex account, and it appeared on her Flex account as "L moved to Flex", together with the date and amount.

In July 2023 a further payment to the same retailer appeared on Ms A's Flex statement, this time with just the name of the retailer, the date and the amount.

Ms A contacted Monzo to say she didn't recognise the July payment. She reported it as fraudulent. Following further investigation, however, Ms A acknowledged that the payment had been genuine, in the sense that she had authorised it as payment for services she had received. In the meantime, however, she had had to cancel cards and wait for replacements.

At the end of September 2023 Monzo wrote to Ms A to tell her that it was closing her account, and that it would do so at the end of November 2023. The account would remain operational in the meantime.

Ms A complained about what had happened and then referred the matter to this service. One of our investigators considered what had happened, but did not recommend that the complaint be upheld. He thought that Monzo had handled Ms A's queries fairly and had been within its rights to close her account in the way it did.

Ms A did not accept the investigator's assessment 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.

When Ms A queried the July 2023 payment with Monzo, it was because she said she did not recognise it. In part, it seems that this was because it had appeared directly on her Flex account statement, without being "flexed" from her main account as the previous payment to the same retailer had been.

Monzo told Ms A the name of the retailer, the date of the payment and the amount. This was of course the information which had appeared on the Flex statement. It suggested she contact the retailer and explained that she could report the payment as fraudulent. In my view, that was appropriate advice to give in the circumstances. Monzo did not have any more information about the circumstances in which the payment had been made and certainly could not have known (as now appears to have been the case) that Ms A had intended to make the payment using a debit card and then to “flex” it, rather than making it with her Flex card.

It is unfortunate that, once the payment was reported as fraudulent, steps had to be taken which led to significant inconvenience for Ms A, but I do not believe that I can properly hold Monzo responsible for that.

I turn then to the closure of Ms A’s account. 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 Ms A’s account was a legitimate one. Monzo did not have to tell Ms A exactly why it had decided to close her account.

Ms A says that she thinks Monzo discriminated against her because its decision was taken because it believed she had made a false claim. It is not for me to say whether that is in fact what Ms A did, but in my view a bank would generally be within its rights to close an account if it believed its customer had made a false claim of fraud.

I have considered too the manner of the closure. Banks should give reasonable notice before closing an account. What is reasonable depends on the circumstances, but we generally take the view that two months is sufficient for most personal accounts. In this case Monzo gave Ms A two months in which to make alternative arrangements, which was fair in the circumstances.

My final decision

For these reasons, my final decision is that I do not uphold Ms A’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Ms A to accept or reject my decision before 18 October 2024.

Mike Ingram
Ombudsman