

The complaint

Mr P complains Monzo Bank Ltd (“Monzo”) closed his account, communicated poorly with him about not increasing his transfer limit, and how it handled his complaint.

Mr P says Monzo’s actions have caused him substantive distress and inconvenience. To put things right, he wants Monzo to pay him appropriate compensation and re-open his account.

What happened

The details of this complaint are well known by both parties, so I won’t repeat them again here in detail. Instead, I’ll focus on setting out some of the key facts and on giving my reasons for my decision.

In early February 2023, Monzo informed Mr P it had decided to close his account and gave him two months’ notice. Around that time, Mr P made a request to increase his transfer limit on the account, but this was declined. Mr P questioned this and was told Monzo didn’t have further information about this. Mr P was later told Monzo couldn’t give him this information as it related to its internal processes and policy.

Unhappy about his account being closed, and the inaccuracy of communication about his transfer limit increase, Mr P complained. In its first response, and in summary. Monzo said:

- It followed its internal procedures correctly when reviewing Mr P’s request to increase his transfer limit
- That it failed to address Mr P’s concerns about the transfer limits previously, and it made the wrong decision by telling him his account will be closed
- Monzo is sorry about the disruption this caused, and it would like to pay Mr P £125 in compensation

Mr P remained unhappy, and amongst other things, explained what impact Monzo’s failings had on him especially as he needed to have vital medical treatment at the time. Mr P also explained that as Monzo took so long, he had already started the CASS account switching process. And as this was too far gone to reverse his account would have to be closed.

Monzo looked into Mr P’s complaint again and reiterated its previous findings. Monzo added that had it looked into Mr P’s issues when first raised in February 2023, it could’ve prevented considerable distress and inconvenience being suffered by him. So Monzo offered to pay Mr P a further £125 - bringing its total compensation award to £250.

Mr P referred his complaint to this service. One of our Investigator’s looked into Mr P’s complaint, and they recommend it be upheld. In summary, their key findings were:

- Monzo acted appropriately when it first decided to close Mr P’s account and the correct notice was given. But a senior level review led to Monzo saying it had made an error and would like to retain him as a customer.

But such a review should've been done before communicating a decision to close the account. This caused Mr P unnecessary distress and additional work during a difficult time in his life. Having to move all his direct debits and standing orders would've therefore been more adversely impactful on him

- Monzo failing to communicate accurately about why Mr P's transfer limit had been declined generated further worry, and extra work by having to complain and chase it up
- By deleting one of its final responses, Monzo caused further confusion that could've been avoided. This led to Mr P feeling compelled to raise a Data Subject Access Request ("DSAR"). But to do so was Mr P's decision, and Monzo didn't make accessing the requested information difficult
- Monzo should pay Mr P £500 compensation for the distress and inconvenience its caused – this includes the £250 it already offered to pay him. Monzo should also get in touch with Mr P to begin the process of opening a new account for him, subject to its acceptance policy, and terms and conditions

Mr P agreed with what our Investigator said though he felt more compensation was warranted in line with this service's guidance on our website. Monzo was happy to accept our Investigator's recommendation about the compensation award but said it had decided to close Mr P's account in line with its terms of account. So it doesn't agree to re-open, or open, an account for Mr P.

Our Investigator informed Mr P of this. They added that in hindsight, Monzo are free to choose who they have as a customer, so this isn't something they can enforce. Mr P didn't agree with this and said Monzo was happy to retain him as a customer in March 2023, but at that point it was too late given the CASS process was too far progressed. Mr P adds that Monzo is acting unfairly by not putting him back into the position but for its errors.

As there was no agreement this complaint was passed to me to decide. I then sent both parties my provisional decision. For ease of reference, here is what I said I was planning on deciding:

Provisional decision

"I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything Mr P and Monzo have said before reaching my decision.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I am planning on upholding this complaint. I'll explain why.

Account closure

Banks in the UK, like Monzo, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

Monzo has explained why it reviewed Mr P's account in early 2023. I'm satisfied it did so in line with its obligations.

Monzo is also entitled to close an account just as a customer may close an account with it. But before Monzo closes an account, it must do so in a way, which complies with the terms and conditions of the account.

The key thing about what's happened in this complaint is that Monzo unequivocally asserted that it made an error when deciding to close Mr P's account with two months' notice. So much so that it was prepared to reverse its decision in March 2023. But as Mr P had instigated the CASS account switching process, and given the stage it had reached at that point, the closure couldn't be reversed by him.

From what I've seen it's arguable that Monzo had enough information in February 2023 to close the account with two months' notice. But to have done so, I would have expected it to carry out further due diligence, which it appears to have failed to do. Later, Monzo's more senior review led it to determine it had made an error in deciding to close the account.

After carefully weighing this up, I'm satisfied Monzo has made errors in the way it has handled its review, and how it handled this matter. Ultimately, if the correct position is that Monzo made an error by determining to close Mr P's account, he should be put back in the position had things not gone wrong. Monzo's senior reviewers agree this was the case, and I'm persuaded that it needed to have done more before deciding to close the account.

That means Monzo should re-open Mr P's old account if it can. And if this isn't something it can do due to system or process limitations, it should open him a new account.

Transfer limit increase

Mr P accepts Monzo has its own commercial discretion and policies to follow in relation to this. But he is unhappy he was told it didn't have any information about this. This is understandable and I agree Monzo could have been more accurate by telling him it isn't able to give him this information as it did later.

Taken together with the account closure issues, I can understand why Mr P felt compelled to raise a DSAR. This caused him added inconvenience and distress, for what was clearly a difficult time for him.

Similarly, I can understand his frustration with how his complaint was handled, especially as he was sent a final response digitally which was later replaced. I am persuaded that this would've further caused ambiguity and avoidable distress.

Putting things right

I've already said that Monzo need to either re-open the account or open a new one if the former isn't possible. So now I need to think about what I think is fair compensation for the distress and inconvenience Mr P has suffered. I will need also to consider the impact Monzo's errors had on him.

In doing so, I have referred to our guidance on this which Mr P has said he is aware of on

our website.

I'm persuaded Monzo's failings caused Mr P substantial distress, upset, and worry which would have been exacerbated by his imminent and serious medical treatment. Mr P has explained and shown me information which meant he had to contact many financial institutions he had accounts and services with to change his default account. He also had to move some standing orders and contact his mobile phone operator to ensure his cashback payments were changed to a new account.

I'd add to that the customer service and complaint handling errors by Monzo also added to impact he suffered. So after carefully weighing this all up, I'm satisfied £500 is fair compensation. This includes the £250 Monzo offered"

The deadline for both parties to provide further comments and evidence has now passed. Monzo has said it's not able to re-open Mr P's old account. But that Mr P can apply for a new account subject to its current terms and conditions.

Mr P has also responded. He has made points about the legal basis of a final decision and obtaining a copy of the final response I have relied on. Our Investigator has responded to this appropriately.

In summary, Mr P has also raised that when Monzo opens an account for him it may do the bare minimum and asks what recourse he has should it close his account again in the future. Our Investigator explained that any new issue in the future would need to be handled as a new complaint. So it's not something this service can consider as part of this complaint.

I will now decide this complaint.

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.

For the reasons in my provisional decision – as above – I have decided to uphold this complaint.

I note Monzo say Mr P will have to apply for a new account as it can't re-open the old one. But that suggests it will maintain some discretion here. I don't think that is fair. As I said in my provisional decision, Monzo needs to put Mr P back in the same position had things happened as they should have. That means he should be given an account with Monzo.

However, if Monzo find good reason not to allow Mr P to be its customer after this, then it should act in line with its broader obligations and terms of account. As this event is hypothetical, in other words something that hasn't happened, I can't make any finding on it in this decision.

After all, I can't determine a complaint about an act or omission that hasn't occurred.

Putting things right

To put things right, Monzo must:

- Open a new account for Mr P in line with its processes. Its possible some of Mr P's personal details may have changed subsequently, so Monzo wouldn't be doing anything wrong in asking for them from him

- Pay Mr P £500 compensation. If Monzo has already paid the £250 it previously offered Mr P, it can deduct this amount from the £500

My final decision

For the reasons above, I have decided to uphold this complaint. Monzo Bank Ltd must now put things right as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 7 October 2024.

Ketan Nagla
Ombudsman