

The complaint

Mr W complains that Monzo Bank Ltd closed his account and registered a Cifas marker against him without due cause.

Mr W is represented but for ease within this decision, I will refer to their comments as Mr W's.

What happened

On 4 May 2023 Mr W received a £585 payment into his bank account with Monzo from a sender I'll call 'A'. Around twenty minutes later, Mr W transferred these funds to an account in the name of someone else, who I'll call 'B'. These funds were returned to Mr W within 15 minutes and then a few minutes later Mr W transferred £400 to an account in the name of another person, a new payee, I'll call 'C'. The remaining funds were then spent or withdrawn later that day.

On Monday 10 July 2023, Monzo received a report from the sending bank which indicated that the sender, A, had been the victim of a scam. The fraud report said the payment was made in relation to a caravan rental advertised via social media. It said A had paid an initial deposit of £100 via an electronic money payment service provider and then sent the £585 further payment. It said A had been unable to get in contact with the seller since.

Monzo then restricted Mr W's account and contacted him on 25 July 2023 asking him to explain a couple of transactions on his account including the original payment from A of £585.

Mr W said it was a transfer by accident from somebody he knew and that he'd sent most of the money back. He said this person had owed him money for some time and so he'd kept the difference.

Monzo asked Mr W if he would be able to share any evidence of the conversations he'd had with this person regarding the accidental payment or the money owed. He replied saying he had no proof of the conversation.

Due to the limited evidence and the contradiction in testimony between the fraud report and the consumer, Monzo closed his account without notice. It also loaded a negative fraud marker against him on the National Fraud Database.

Mr W raised a complaint about the loading of the fraud marker. When looking into the complaint Monzo approached for evidence once again. It asked for evidence about what the initial payment from A was for and why he'd received it. It also asked for evidence about the two outgoing payments to B and C – what they were for and why they were made. It asked for evidence Mr W had sent funds back to his friend and if he sent these to a different account can he explain why. It asked him to provide as much information as possible.

Mr W said when the initial payment arrived he had no idea where it had come from. So he decided to move the money out of his account while he figured out where it had come from.

He later got a message from a friend who owed him £185 apologising about the accidental transfer and asking him to pay back the difference, providing bank details.

Monzo then asked Mr W for screenshots of the messages and evidence the funds had been returned to the sending account. In response Mr W raised concerns about the loading of the Cifas marker and the impact on him but didn't provide the information Monzo requested, suggesting the request for personal data was unreasonable. He felt Monzo's questions were overly intrusive and he was concerned about sharing the personal details of others.

Mr W later clarified that B was his girlfriend and that he would regularly transfer funds to their account for bills etc.

Monzo sent its response to the complaint on 5 September 2023. It didn't uphold his concerns about the account closure or Cifas marker but it later acknowledged the service he'd received surrounding the complaints wasn't good and offered him £125 compensation for this.

Mr W remained unhappy and asked our Service to look into his complaint. He described the very significant impact this marker had on him. This included financial detriment including missed payments, cancelled insurance and credit, many closed accounts, debt caused by limited access to funds and a loss of earnings; he also detailed wider impacts on his work, personal life, mental and physical health.

During the course of the complaint, Mr W provided our Investigator with some further information about the payment. He told us that C was friends with A and that all three of them knew one another. He said he'd received a text from A but that something had since happened to his phone, so he no longer had copies of the text messages. He was asked for an explanation for the discrepancy between his initial testimony and later testimony but didn't provide this. He was also asked for evidence he'd changed his phone, but he didn't provide this.

Our Investigator looked into things and approached the bank that reported the fraud directly for some further information. This showed that:

- The first name of A matched the first name on the account for C.
- The only evidence the sending bank had to support A's fraud claim was A's testimony.
- A had previously paid Mr W £100 from the same account in December 2022.

On this basis the Investigator was of the opinion that whilst the initial loading of the marker was fair based on the available evidence, Monzo should now remove the marker in light of this new evidence. They acknowledged the significant impact of the Cifas marker on Mr W but explained that they didn't feel Monzo could be held responsible for this. The Investigator also said the account closure was fair and that Mr W's subject access request (SAR) was responded to in 30 days so they didn't think Monzo did anything wrong here. Finally, they were of the opinion that the £125 Monzo had offered Mr W for customer service failings was reasonable.

Monzo accepted these findings and arranged to have the marker removed. But Mr W asked for an Ombudsman's decision as he felt the compensation should be significantly higher, noting that his life had been destroyed by the Cifas marker. He felt that had Monzo looked into the fraud report properly at the time, it could have found out A had paid Mr W previously and the marker would never have been loaded. Mr W also disagreed that the SAR had been provided on time and noted it was missing information.

So, the complaint was passed to me to decide. After reviewing things, I issued a provisional decision to ensure both parties had the opportunity to respond before a final decision was made. In brief, I said that the loading of the marker and the account closure was fair. I said I wouldn't necessarily have recommended the removal of the marker as our Investigator had and acknowledged that whilst there were issues with the service Monzo had provided Mr W, in all the circumstances I wouldn't be recommending any compensation be paid to him.

Monzo made no further representations. Mr W rejected my provisional decision and raised significant concerns, including:

- The provisional decision said Mr W complained a month after the account was closed, but Mr W had in fact complained repeatedly before this and Monzo had failed to respond appropriately.
- Monzo should have investigated the fraud report further with the sending bank prior to loading the Cifas marker.
- Mr W is innocent. He and A were friends who often lent each other money whilst on a night out.
- The SAR was missing information.

I am now in a position to issue a final decision on 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.

I've carefully read all of the correspondence sent to this Service. That being said, my decision won't address every point or comment raised. I mean no discourtesy by this, it simply reflects the fact our Service is an informal dispute resolution service, set up as a free alternative to the courts. So, in deciding this complaint I've focussed on what I consider to be the heart of the matter, rather than considering every issue in turn.

In Cifas' Handbook—which members must adhere to when loading markers—it sets out the burden of proof the member must meet. The relevant standards at the time of the loading were:

1. That there are reasonable grounds to believe that a fraud or financial crime has been committed or attempted.
2. That the evidence must be clear, relevant and rigorous.

In addition to the Handbook's burden of proof, Cifas released guidance to its members in March 2020 providing best practice guidance when filing markers against 'Money Mules' against the National Fraud Database. As Mr W had received reportedly fraudulent funds into his account held with Monzo, I find that the guidance is relevant in these circumstances.

The second part of the burden of proof requires more than mere suspicion of the consumer's willing involvement of the alleged activity to load them to the database. This is further supported by the 'Money Mule' guidance that sets out that *"You must have evidence to show that the consumer was aware that the payment they were receiving was, or might be from an illegitimate source."*

Broadly, it also highlights the need to consider evidence supplied by the consumer and says that contact should be made with them prior to deciding to load the marker. This is typically to establish if the consumer has themselves been victim to a fraud or has been duped into unwittingly laundering funds through their account.

Monzo has now removed the marker, so what I need to consider is whether the initial loading of the marker and the closure of the account was fair and whether Monzo ought to have removed the mark any earlier.

Monzo has provided evidence of the report it received stating that Mr W received fraudulent funds. So, I understand its concerns here. Monzo then did what I'd expect it to, which is approach Mr W for an explanation of the origin of the funds.

Having looked at this conversation, I do think Monzo could have asked more questions here to gather the information it needed from Mr W. Mr W provided responses but his answers were brief and provided limited detail, he also told Monzo he had no evidence to show his conversations with A as everything was done in person. In the context of the fraud report I can see how the limited explanation looked suspicious to Monzo, but given Mr W was responding to the questions being asked, I think Monzo ought to have asked more follow up questions at this stage to satisfy itself that it had clear, relevant and rigorous evidence that fraudulent funds entered Mr W's account and he knew they were, or might be, an illegitimate payment.

That being said, I'm not persuaded that doing so would have changed what happened here – I'll explain why.

I can see that when investigating Mr W's complaint after the closure, Monzo asked the sorts of questions I think it ought to have initially. I therefore think its likely Mr W would have responded similarly had these sorts of questions been asked at an earlier stage.

I've summarised what Mr W said about the transactions above, so I won't repeat it here. But I don't find the testimony he provided at this point in time persuasive. A key issue for me is that Mr W gave conflicting information about his interactions with A at this stage. After initially saying all discussions were in person, he then told Monzo he received a message from A. But when he was asked to share evidence of any messages, Mr W didn't share this or provide any explanation for the discrepancy in his testimony.

In terms of his reluctance to share evidence. I'm aware Mr W raised the fact he was concerned about revealing the personal information of others. But this doesn't actually explain the inconsistency in his testimony, just his reluctance to share evidence. I'd also observe that it was possible for him to provide more detail about what had happened and why without disclosing any personal information – he eventually did so when he spoke with our Service. I also note that Monzo already had the account names and bank information for A, B and C, so it's unclear to me what new information Mr W was concerned about disclosing; in saying this I'd also note that it's possible to share screenshots of messages without revealing contact numbers. And for all of these reasons, I don't find this explanation for Mr W's limited and contradictory response persuasive.

Ultimately, I think it was reasonable for Monzo to have expected Mr W to be able to provide a consistent account (or at least a coherent and plausible explanation for any confusion) and some evidence to support his testimony - he'd told Monzo such evidence existed and then didn't provide this despite being asked to. And as such, at this point in time, I don't think Monzo had sufficient evidence that Mr W had returned the funds to the sender as he suggested or a persuasive testimony that warranted further enquiries be made. I think the available evidence at that time suggested that Mr W was complicit in receiving fraudulent funds into his account as per the fraud report. So, I am not persuaded that Monzo ought to have removed the Cifas marker at this stage and it follows that I am not persuaded that asking more questions of Mr W initially would have made any difference here either.

I appreciate Monzo has since decided to remove the fraud marker based on additional evidence gathered recently. I am aware Mr W feels Monzo ought to have taken steps to gather this information itself at an earlier stage, but for the reasons I've outlined above I'm not persuaded it did anything wrong here. Ultimately, Mr W's testimony was limited in detail and inconsistent and it had received a fraud report the sending bank had deemed credible. I don't think it was unreasonable that Monzo didn't make further enquiries in this context. So, in the circumstances, I think it acted reasonably.

As such, whilst I recognise this decision will come as a significant disappointment to Mr W, I don't agree that Monzo need to pay him for the distress and inconvenience caused by the Cifas marker, as I think it was fairly loaded at the time and I'm not persuaded Monzo held information that meant it ought to have been removed.

It follows that I am also of the opinion that the account closure was fair in the circumstances.

I note that our Investigator recommended the removal of the Cifas marker based on the new evidence provided. I wouldn't necessarily have made that recommendation based on the evidence I've seen. But given that Monzo has already removed the marker, I make no findings on this point. However, I explain my thoughts to contextualise my findings in relation to the customer service failings Mr W has identified.

Mr W is also unhappy with the way Monzo handled his SAR (including the absence of certain information) and about a number of customer service issues he encountered when raising his complaint. I've carefully considered the evidence provided in relation to the service Mr W received but when considering the broader circumstances of the case, whilst I acknowledge that there are things that Monzo could have done better, I don't think an appropriate and reasonable outcome to this complaint would be to award any compensation to Mr W. And as such I don't think Monzo need to do anything further here.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 11 March 2025.

Jade Cunningham
Ombudsman