

The complaint

Mr M complains Monzo Bank Ltd unfairly closed his account without notice and withheld funds. Mr M says this caused him significant distress and inconvenience.

What happened

The detailed background of this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr M held a bank account with Monzo. In July 2024 Monzo reviewed Mr M's account. Following its review, Monzo decided to close Mr M's account with immediate effect. Mr M raised a formal complaint about the sudden closure of his account, explaining he had been treated unfairly given the lack of information provided by Monzo about the closure. Mr M also explained the closure would have a serious impact on him given his reliance on the account.

Monzo issued its final response letter on 31 July 2024, explaining that it had acted in line with the account terms and conditions by closing the account immediately. Monzo also explained it would release Mr M's funds as soon as it was able to, but that it wasn't able to provide any further specific information.

Dissatisfied with Monzo's response Mr M brought his complaint to this service. Mr M said that the whole experience had been upsetting and stressful. He wants Monzo to explain its actions, especially its decision to deprive him of access to essential funds.

An Investigator reviewed Mr M's concerns and found, in summary, based on the evidence provided that Monzo had acted fairly in its handling and closing of Mr M's account.

Mr M remained unhappy and maintained Monzo had acted unfairly. As no agreement could be reached, the case has been referred to me – an ombudsman – for a final decision.

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 can see Mr M feels very strongly about his complaint. That's clear from what's he's said to us and to Monzo. However, based on the available evidence I think Monzo has acted reasonably in how it handled Mr M's account. I'll explain why.

Our rules allow us to receive evidence in confidence. We may treat evidence from financial businesses as confidential for a number of reasons – for example, if it contains information about other customers, security information or commercially sensitive information. It's then for me to decide whether it's fair to rely on evidence that only one party has seen. It's not a one-sided rule; either party to a complaint can submit evidence in confidence if they wish to, and we'll then decide if it's fair to rely on it. Here, the information is sensitive and on balance I don't believe it should be disclosed. But it's also clearly material to the issue of whether

Monzo has treated Mr M fairly. So, I'm persuaded I should take it into account when deciding the outcome of the complaint.

Banks have important legal and regulatory obligations they must meet when providing accounts to customers. They can broadly be summarised as a responsibility to protect persons from financial harm, and to prevent and detect financial crime. It's common industry practice for firms to conduct a review on a customer and/or the activity on an account and there are a number of reasons that may prompt a review. The terms of Mr M's account also permit Monzo to review an account at any time. Following a review, banks sometimes decide to close accounts. And that's what happened here.

In this instance the terms of Mr M's account say that in certain instances Monzo can close the account with immediate notice and by providing two months' notice to a customer. And it doesn't have to provide a reason for doing so. Monzo also isn't obliged to reveal the reason(s) for reviewing Mr M's account. But I've considered the basis for the review, including the information Monzo has provided, which I find was legitimate and in line with its legal and regulatory obligations. So, whilst I accept Mr M was upset to learn his account had been reviewed I can't say Monzo has done anything wrong when it decided to review Mr M's account.

I've next gone on to consider whether Monzo acted fairly when it closed Mr M's account. Monzo is entitled to end their business relationship with a customer, as long as this is done fairly, doesn't breach law or regulations and is in keeping with the terms and conditions. I should also add that each financial institution has its own criteria and risk assessment for deciding whether to continue providing accounts and providing an account to a customer is a commercial decision that a financial institution is entitled to take. That's because it has the commercial freedom to decide who it wants as a customer. And unless there's a good reason to do so, this service won't usually say that a bank must keep a customer. But they shouldn't close an account without proper reason, for instance of unfair bias or unlawful discrimination. And they must treat new and existing customers fairly.

Mr M's account had changed to a basic bank account in January 2024. These types of current account are intended for people who don't have and don't qualify for standard current accounts. When closing a basic account, along with the terms and conditions of the account, Monzo also had to consider the provisions of the Payment Accounts Regulations 2015 (PAR's 2015). Amongst other things they set out when an account provider can close a basic bank account. Closure is only permitted in certain circumstances.

I've thought about the PAR's in light of Monzo's reasons for closing the account. In doing so, I appreciate that Monzo is entitled to set their own policies and part of that will form their risk criteria. It is not in my remit to say what policies or risk appetite Monzo should have in place. I can however, while considering the circumstances of individual complaints, decide whether I think customers have been treated fairly.

Monzo has provided some further details of its decision-making process, I'm sorry but I can't share this information with Mr M due to its commercial sensitivity. But I've seen nothing to suggest Monzo's decision around closing Mr M's accounts was unfair. On balance when considering Monzo's wider regulatory responsibilities and all the information available to me, I find Monzo had a legitimate basis for closing Mr M's accounts and not telling him why. So, I don't find Monzo treated Mr M unfairly when it closed his account. And I won't be asking Monzo to reopen his account.

Mr M says Monzo's decision to withhold the funds in his account for around 15 days meant he was unable to access his benefits. Mr M says he was unable to purchase essential items such as food and he couldn't pay his rent. Mr M says he had to borrow money during this

period. The immediate closure of an account can have severe consequences, and the decision to close an account in this way should not be taken lightly. It also generally only appropriate to close an account immediately and to withhold funds in certain circumstances. I don't underestimate the distress and inconvenience the immediate closure had on Mr M. However, based on the evidence I've seen I'm satisfied Monzo took this action fairly. I also can't see that there were any undue delays in its review. So I don't think it would be appropriate to compensate Mr M for the impact the immediate closure had.

In summary I realise Mr M will be disappointed by my decision. But having looked at all the evidence and circumstances of this complaint, I can't conclude that Monzo have treated Mr M unfairly when it closed his account and withheld his funds. So, I won't be telling Monzo to do anything to resolve Mr M's complaint.

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 M to accept or reject my decision before 10 December 2024.

Chandni Green
Ombudsman