

The complaint

Mr A complains that Monzo Bank Ltd unfairly placed a fraud marker against his name and closed his bank account.

What happened

The background to this complaint is well known to both parties and so I'll only refer to some key events here.

Mr A had an account with Monzo which he opened in March 2024. Mr A is a student and lives in shared accommodation.

On 18 May 2024, Mr A received a payment into his account, for £35. Mr A immediately transferred the funds to another individual I will refer to as B.

Following this Monzo were notified by another bank that one of their customer's had been a victim of a scam and that the £35 payment was fraudulent. So, Monzo placed a block on Mr A's account.

Monzo contacted Mr A via email and its banking app and asked him to explain why he'd received the £35 into his account. But Mr A didn't respond. Following this Monzo closed Mr A's account immediately and applied a 'misuse of facility' marker with Cifas.

Mr A discovered Monzo had loaded a Cifas marker against him when he had an account with another provider closed and his applications for other bank accounts were rejected.

Mr A contacted Monzo as he wanted the marker removed. Initially Mr A told Monzo that the £35 was money he'd lent to someone else. Mr A later explained that B, had asked him whether they could transfer money into his bank account because he was having trouble with his own account. And someone owed him money.

Mr A said B was a fellow student and he shared accommodation with him Mr A also said that several other students, had also had their bank accounts closed after allowing B to use their accounts. So, he wasn't the only one to have been taken in by B.

Due to his naivety, Mr A didn't think there was anything suspicious when B asked him to receive money into his account on his behalf. He said the marker had affected his ability to carry on with his studies and work. He told Monzo he needed it sorted and provided evidence of his conversation with B who had conducted fraud through his account.

Monzo reviewed the information Mr A provided. But after a second review of the Cifas loading, they made the decision to keep it in place as they'd correctly followed their internal procedure. In summary Monzo said:

- The reported funds were rapidly exited by Mr A to B's Monzo account, who he shared a flat with at the time of the reported activity.
- Mr A therefore knew that B had a bank account as he was being asked to receive

money and transfer it directly to him.

- The standard of proof for the marker type had been met as Monzo demonstrated that Mr A ought to have thought, suspected or known that the funds he received might not be legitimate. In this case, Mr A being asked by their flat mate B to rapidly move a payment through his account and into B's account ought to have caused such a thought or suspicion.
- If Monzo met the standard of proof required by Cifas, it is obligated to load the case to the National Fraud Database in order that the intelligence on a high-risk individual is shared with other financial institutions and external law enforcement.

Mr A remained unhappy, so he brought his complaint to our service where one of our investigators looked into it. The investigator asked Mr A to provide more information about what had happened. In response, Mr A provided screenshots of his conversations with B and a video of his other flat mates confronting B at their accommodation about having their bank accounts closed.

Our Investigator thought Monzo had unfairly applied the Cifas marker. He explained that Mr A would've been unaware that he was being used as a money mule to conduct fraudulent activity on his account. This was because Mr A had shown the screenshot messages with B and the video that supported his version of events and, given Mr A was 17 at the time, he noted that young people like him are often susceptible to being victims of money muling. And here, he thought Mr A had placed his trust in a friend who had tricked him and hadn't purposely carried out fraudulent activity himself. He also said Mr A hadn't benefitted from the fraudulent activity.

Our Investigator thought Monzo had acted reasonably by closing Mr A's account, as the terms and conditions allow them to do so if they suspect criminal activity. To put things right he said Monzo should remove the Cifas marker.

Mr A accepted the investigator's findings. Monzo did not and, in short, they said:

- Mr A has pled innocence, but he was clearly used as a money mule to receive the proceeds of fraud. And based on his testimony and the screenshots of the messages, Mr A didn't once question the funds sent into his account. And knew B had their own Monzo account.
- Although the investigator said Mr A was oblivious to the situation due to being young and financially vulnerable", this isn't an excuse for removing a Cifas marker for someone that has participated in fraud.
- Mr A did nothing to protect himself from receiving fraudulent funds and moving them on.
- Reading the screenshots it can see the third party telling Mr A to move the funds "fast", asking why there are delays and Mr A stated he "use part of the money" before it's sent on. This is really typical of a muling fee. Being asked to keep a portion of funds and move money rapidly means Mr A ought to have known these funds were not legitimate.
- Mr A once realising the seriousness of the situation has acted, however this is only when a Cifas loading has been made. Mr A's account was blocked between the fraud report being made on 21 May 2024 and the account being closed on 3 June 2024 which was not deemed serious enough to provide screenshots of the conversations at this time and have only now been provided knowing a Cifas loading has been made.
- Monzo's terms and conditions state that customers should not give anyone else access to their account, which essentially Mr A did by giving his account details to a third party and then transferring funds straight away to the same third party. This

breaches the agreement Mr A signed up to when opening a Monzo account.

The investigator considered what Monzo said but his position remained the same – that being Mr A had been the victim of a money mule scam, and it would be unfair for the Cifas marker to be applied against him. He added:

- Mr A told him that several of the international students he shared accommodation with had also been persuaded by B to share their bank details with him, and these fellow students had also had their accounts closed.
- Mr A has repeatedly offered testimony from these fellow students and housemates to support his claims.
- Video footage which Mr A filmed clearly showed a dispute about the same bank fraud issue between another student and B in the kitchen of the shared accommodation.
- Mr A says he never received any money from B in return for allowing him access to his account. Looking at Mr A's bank statement supports this claim.
- Mr A has sometimes appeared evasive and not responded convincingly or not responded in a timely manner to questions Monzo raised with him. He discussed his responses to Monzo in detail with Mr A and received the following responses.
 - When Monzo asked him to account for the incoming £35 Mr A told Monzo he had lent money to a friend because that was the explanation provided to him by B.
 - Mr A didn't respond immediately to Monzo's request for information and proof of entitlement because he was trying to get hold of B to ask him where the £35 came from. And B was being evasive.

As no agreement could be reached the complaint has come 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.

The marker that Monzo recorded against Mr A is intended to record that there's been a 'misuse of facility' – in this case using an account to receive fraudulent funds. In order to file such a marker, Monzo isn't required to prove beyond reasonable doubt that Mr A is guilty of a financial crime, but they must show there are grounds for more than mere suspicion of concern. CIFAS guidelines say:

- There must be reasonable grounds to believe that an identified fraud or financial crime has been committed or attempted; and
- The evidence must be clear, relevant and rigorous such that the member could confidently report the conduct of the subject to the police.

What this means in practice is that the bank must first be able to show that fraudulent funds have entered Mr A's account, whether they are retained or pass through the account.

Secondly, the bank will need to have strong evidence to show that Mr A was deliberately dishonest in receiving the fraudulent payment and knew it was or might be an illegitimate payment. This can include Mr A allowing someone else to use his account in order to receive an illegitimate payment. A marker should not be registered against someone who was unwitting, there should be enough evidence to show deliberate complicity.

I've considered the guidance from Cifas about cases where someone receives fraudulent payments into their account like this – acting as what's commonly referred to as 'a money mule.' And the relevant factors in deciding whether Mr A was deliberately complicit in what happened include whether he knew or ought to have known that the money wasn't legitimate, whether he may have benefitted from the money by keeping some of the funds and whether he has provided generic or inconsistent explanations.

Cifas published a best practice guide in March 2020 on how members should handle money mules in the National Fraud Database. And within this guidance, it says:

*“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. You need to consider any evidence supplied by the consumer and take account of the wider circumstances. In particular, you should consider and investigate whether the consumer was the victim of a scam and has been duped into unwittingly laundering money. ...Given that consumers can act as a Money Mule unwittingly in some circumstances, it is required that members provide consumers the opportunity to explain the conduct before filing to the National Fraud Database.”*

I've given careful consideration to what Mr A has told us and the evidence he's provided to support his position. And I've found his testimony consistent since he's brought it to this service. The screen shots of the messages Mr A has provided, in my view, support his version of events in which he says he didn't know the funds he received came from an illegitimate source. This is because the messages show that his friend, B, was asking for help due to not being able to use his account. If Mr A had been aware of the true source of the funds then I would've expected the conversation to have been different – with specific reference to the funds originating from the illegitimate activity.

More recently Mr A has also provided screenshots of conversations he's had with other individuals who had allowed B to use their accounts. And a video of them confronting B about the problems he'd caused them by allowing him to use their accounts in the same way he used Mr A's account. I find this all adds weight to Mr A's explanation.

It's also known that young consumers are often more vulnerable to money muling – as they're more likely to fail to understand the importance of not allowing others to use their account, grasp the consequences of their actions or believe what they're doing has an illegitimate purpose. And that seems relevant here as Mr A has admitted he was naïve and didn't question where the funds came from but did it without thinking it had anything to do with fraud.

Given I find Mr A's testimony credible, I'm persuaded Mr A believed his friend and was trying to assist them at a time of difficulty. Having looked at the fraud report Monzo received from the other bank, I haven't seen any evidence that Mr A was involved in the scam. And I've not seen any evidence that Monzo thought this. I've also not seen any evidence that Mr A benefitted from any of the fraudulent funds that were paid into his account. From looking at Mr A's bank statement it appears all the money was forwarded on to other accounts unrelated to Mr A. This all tends to support the possibility that Mr A was taken advantage of, as opposed to him being a witting participant in fraud, including that Mr A knew he was helping pass on the proceeds of fraud. I'd question why Mr A would knowingly participate in fraud if he didn't stand to benefit from it. So, whilst I can understand Monzo's concerns, I'm not satisfied that Mr A was deliberately complicit in receiving fraudulent funds. I therefore consider Mr A was acting as a money mule unwittingly.

I'd also note that while Monzo has said the Mr A benefited from the fraudulent funds his account statements don't in fact show this. But rather, it shows most of the funds were

transferred to B, with the rest being used for normal account usage. I'm therefore not persuaded Mr A used his account in such a way that, as Monzo refers to, shows common signs of layering.

Although it isn't disputed Mr A processed the transactions himself, thereby participating in what seems to be the movement of fraudulent funds, this itself isn't enough for a Cifas marker to be applied. But rather, and as per above, it needs to be shown that Mr A was aware that the payment he received was, or might be, from an illegitimate source. And I don't believe placing a marker against Mr A was proportionate based on what happened. Nor am I convinced Monzo have met the industry best practice guidelines when placing this marker.

In summary, when I weigh everything up, I don't consider Monzo had sufficient evidence to meet the test for recording a fraud marker against Mr A. So, Monzo needs to remove any fraud markers it has recorded.

Finally, I've looked at Monzo's decision to close Mr A's account. Banks are entitled to end their business relationship with a customer, as long as it's done fairly and is in line with the terms and conditions of the account. The terms and conditions of Mr A's account say that Monzo can close an account in certain circumstances immediately. Given the concerns Monzo had about how Mr A was operating his account, I don't think that's unreasonable. So, it was entitled to close the account as it's already done and end its relationship with Mr A.

My final decision

For the reasons I've explained, to put things right Monzo Bank Ltd should remove any fraud markers it has recorded against Mr A.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 9 July 2025.

Sharon Kerrison
Ombudsman