

The complaint

Mr H complains that Monzo Bank Ltd unfairly blocked his account, returned an incoming payment and then closed his account.

What happened

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

Mr H held a Monzo account which was opened in April 2020. In November 2023 Mr H received a payment in for £1,500. The sending bank notified Monzo that the payment was not authorised by the card holder, and Monzo blocked Mr H's account to carry out a review.

As part of its review Monzo asked Mr H to provide some details regarding the payment and his entitlement to it. Mr H explained the payment was the repayment of a loan, but he didn't provide any supporting evidence. Monzo returned the payment to sender and unblocked Mr H's account.

Monzo continued to review Mr H's account and in December 2023 it asked Mr H about the account usage as it appeared that he was using his personal account for business purposes. Mr H explained this wasn't how he was using the account, and he would inform Monzo if this changed. However, following its review on 1 January 2024 Monzo explained that it would be closing his account in line with the account terms and conditions. This letter provided Mr H with 62 days' notice the closure. However, Monzo then wrote to Mr H on 1 February 2024 explaining his account would close with immediate effect. The remaining balance in the account was returned to Mr H shortly after this.

Mr H raised a formal complaint about Monzo's actions. Monzo issued a final response in mid-February 2024 that the £1,500 payment in was returned to the sending bank and the sender of these funds – Mr H's friend – would need to contact the sending bank directly if he wished to obtain these funds. It also explained that it had acted in line with the account terms and conditions when it reviewed, and then closed Mr H's account.

Mr H remained unhappy with Monzo's response and referred the complaint to our service. An Investigator reviewed their concerns and in summary, made the following findings:

- Monzo's regulatory obligations mean it is entitled to carry out reviews of customer accounts.
- It was fair for the account to close with immediate effect based on the information Monzo had available.
- Monzo followed their correct process when it returned the funds to sender.

Mr H disagreed with the Investigator's findings, explaining Monzo should compensate him for the payment it returned. 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 appreciate Mr H was disappointed by the investigator's opinion. I'd like to reassure Mr H that I've considered the whole file and what's he's said. But I'll concentrate my comments on what I think is relevant. If I don't mention any specific point, it's not because I failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome. No discourtesy is intended by me in taking this approach.

I'll start by setting out some context for the review of Mr H's account. UK legislation places extensive obligations on regulated financial businesses. Financial institutions must establish the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. This applies to both new and existing relationships. These obligations override all other obligations. In Mr H's case I'm satisfied Monzo was complying with these obligations when it reviewed Mr H's account.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information Monzo has provided is information that we considered should be kept confidential. This means I haven't been able to share a lot of detail with Mr H, but I'd like to reassure him that I have considered everything that he's told us.

As Mr H is aware Monzo's review was prompted by an incoming payment. Monzo had been informed the payment hadn't been authorised by the sender. Mr H's account terms and conditions also allow Monzo to block the account in specific circumstances. Given the information Monzo had received I think its decision to block the account and ask Mr H for more details was appropriate. I understand Mr H's frustration with the block, and I don't doubt it would've had a detrimental impact on him. But I consider the block to be necessary to ensure Monzo was able to comply with its regulatory requirements.

Whilst the account was blocked Monzo asked Mr H for details of the incoming payment. Mr H said the payment was the repayment of a loan he provided to a friend. Mr H wasn't able to provide any supporting documentation or correspondence to support his explanation for the payment. Mr H's responses weren't enough to remove Monzo's concerns about the incoming payment. Looking at the information Mr H provided to Monzo and the Investigator I think this was reasonable. The information didn't clearly establish a legitimate source of the incoming payment, and I can't see that any clear evidence was provided to support Mr H's comments.

Mr H's account was blocked for six days and Monzo unblocked it once it had received information from Mr H and decided to return the payment. Blocking an account can have a serious impact on customers, so there is an expectation reviews are carried out promptly. In Mr H's case I think Monzo acted swiftly, and I can't see that there has been any unnecessary delay.

Although Mr H's account had been unblocked Monzo explained the account was still under review by its specialist team. This review led to its ultimate decision to close the account. 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. As long as they reach their decisions fairly, it doesn't

breach law or regulations and is in keeping with the terms and conditions of the account, then this service won't usually intervene. They shouldn't decline to continue to provide banking services without proper reason, for instance of unfair bias or unlawful discrimination. And they must treat new and existing customers fairly. Given its regulatory and legal obligations, I'm satisfied Monzo's decision was made fairly.

On 1 January 2024 Mr H was issued with a notice to close letter. This provided Mr H with 62 days' notice of the impending closure of his account which is in line with the account terms. However, Monzo later informed Mr H the account would close with immediate effect on 1 February 2024. I appreciate this change would've caused Mr H concern and frustration and I do think Monzo should've handled this change differently given the previous communication Mr H had received. However, looking at the review carried out by Monzo I think its decision to close Mr H's account immediately was appropriate and in keeping with the account terms.

I know this will not be the outcome Mr H was hoping for and he will be disappointed with the decision I've reached. But I hope my decision provides some clarity around why I won't be asking Monzo to take any further action.

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 H to accept or reject my decision before 27 March 2025.

Chandni Green
Ombudsman