

The complaint

T a limited company complains Monzo Bank Ltd unfairly blocked its business account.

T is represented by Mr S, a director of T.

What happened

T held a business account with Monzo. On 6 June 2023 to 11 July 2023 T's account was blocked. The account had a balance of approximately £40,000 at the time of the block.

Mr S raised a formal complaint with Monzo about the block of the account – explaining it had a severe impact on T and Monzo hadn't provided clear information. In its final response letter issued on 1 August 2023 Monzo explained that it had reviewed the account in line with its regulatory obligations. It said it couldn't give reasons for the review, but it accepted the communication had been poor as Mr S was told T's account would close, which was incorrect as the review was complete and the account could operate as normal.

In recognition of its failings and the impact on T Monzo paid T £200 for the distress and inconvenience caused and applied 8% simple interest on the funds in the account for the period of 6 June 2023 to 13 June 2023 – which is the time Monzo says it deprived T of funds.

Unhappy with the response Mr S referred T's complaint to this service. Mr S says that T's business operations were severely impacted by Monzo's block. He says that the lack of access to funds meant the business incurred a loss of £16,000 in profit. Mr S says the situation meant the business nearly closed and it had severe repercussions on business plans. For example, there were plans in place to refurbish T's premises and this led to further financial strain and rental costs increasing.

An Investigator reviewed the complaint and agreed that Monzo's actions had a detrimental impact on T. Further investigations were carried out and Monzo agreed that the account was blocked between 13 June 2023 to 11 July 2023 in error. It agreed to pay 8% simple interest on the account balance and an additional £200 for the inconvenience caused to T.

Mr S didn't accept this additional offer of compensation – he explained the freeze on T's working capital reduced its ability to purchase stock and delayed its shop opening. It also led to financial strain as many hours were spent trying to manage the difficult situation. Mr S maintained that the error by Monzo placed T at a disadvantage, and the compensation it paid should reflect this.

As no agreement could be reached the complaint was 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.

Firstly, I should say that I'm aware I've summarised the events of this complaint in less detail than the parties, and that I've done so using my own words. The reason for this is that I've focussed on what I think are the key issues here, which our rules allow me to do.

This approach simply reflects the informal nature of our service as a free alternative to the courts. And 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 in this case. So, if there's something I've not mentioned, it isn't because I've ignored it, and I must stress that I've considered everything both Mr S and Monzo have said, before reaching my decision.

It's not in dispute that Monzo blocked T's account in error. It has accepted this was due to an internal communication failing on its part, and only Mr S's personal account should've been subject to a review and blocked. Therefore, the key issue for me to consider is the impact this error had on T.

Firstly, I must highlight that Monzo's customer in this situation is T – because this is T's business account and T is a limited company. This means T is a separate legal entity so I can only make an award for any inconvenience T experienced as a result of Monzo's errors. I appreciate the block had an impact on Mr S – but I am not able to consider the distress caused to him in a personal capacity.

With that in mind, I've looked at the losses claimed by T in response to Monzo's offer, in order to establish what losses T has suffered, if any, that wouldn't be compensated for by 8% interest and the £400 inconvenience payment. And having done so, I won't ask Monzo to increase its offer. I will explain why.

During the account block T was placed in a difficult financial position – based on Mr S's comments it had an impact on its profits as its ability to buy stock was restricted. I've considered the evidence Mr S has provided – especially the information around the impact on profits and the renovation T's premises were undergoing. I agree Mr S had to spend time and effort rearranging matters and carrying out work himself. In situations where there is a bank error there is an expectation that a customer will try to mitigate losses. It seems Mr S took appropriate steps to try and mitigate any losses incurred by T – such as carrying out renovations himself and with the support of family and friends.

Mr S says T lost £16,000 in profits. However, Mr S also says he borrowed funds to keep T's business operations moving. The evidence I've seen from T shows the financial situation at the time, but I don't think it supports Mr S' comments about the losses T incurred. I don't doubt the four-week period would've been extremely trying for Mr S and T overall, but I can't see that the impact was so severe that closing down operations was a necessary option.

Mr S says businesses rely on banks to handle their funds accurately. I accept businesses such as T place a significant amount of trust in banks. However, during the course of a business banking relationship there may be errors by either party. Mr S says this error has placed T at a serious disadvantage – and I agree that during the four-week period T was at a disadvantage as it didn't have access to its working capital. But looking at the evidence I've seen T was able to resume trading once the block was lifted, and I haven't seen anything to suggest there were severe long-term repercussions for T.

Monzo's offer of £400 in total is to recognise the inconvenience caused to T. Reaching an award for distress and inconvenience is seldom straightforward. The issues involved are subjective by their very nature and the impact on the consumer can be difficult to determine. Our awards are not intended to be punitive for businesses. The primary purpose of our

awards for distress and inconvenience are to recognise the impact on a consumer where there have been shortcomings. In T's case I've considered the timeline of events, and actions T had to take, and I'm satisfied the £400 compensation award in total alongside the 8% simple interest for being deprived of funds recognises the inconvenience caused.

I know this my proposed outcome is not what Mr S was hoping for, but I hope it provides some clarity around why I won't be increasing the compensation Monzo should pay.

Putting things right

Monzo Bank Ltd should put things right put things right as outlined:

- Pay T an additional £200 in compensation for the inconvenience caused to T by the incorrect block.
- Apply 8% simple interest to the balance of T's account for the period it was blocked.

My final decision

I uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 17 January 2025.

Chandni Green
Ombudsman