

The complaint

Mr K complains Monzo Bank Ltd (“Monzo”) closed his account and applied an adverse fraud marker against him.

Mr K says the application of the marker has caused him substantive distress. To put things right, Mr K wants Monzo to remove the fraud marker.

What happened

The details of this complaint are well known by both parties, so I won’t repeat them again here in detail. Instead, I’ll focus on setting out some of the key facts and on giving my reasons for my decision.

In March 2024, Mr K received a payment of £400 into his account. Monzo received a fraud report in relation to this payment and restricted Mr K’s account. It then asked Mr K for more information about this and other payments into his account.

Mr K explained he had trusted a ‘friend’ and had received the funds on their behest. And then paid these funds out as per the friend’s instructions. Specifically, Mr K told Monzo: *“I want to emphasize that I was unknowingly manipulated and used by a friend to facilitate fraudulent transactions through my Monzo account. At the time, I was assured that the funds being transferred were legitimate, and I had no reason to suspect otherwise”*.

Monzo closed Mr K’s account with immediate effect. It also applied a CIFAS (Credit Industry Fraud Avoidance System) ‘misuse of account’ marker against him. Unhappy, Mr K complained. Monzo didn’t uphold his complaint. In summary the key points it made, and those pertinent to this complaint, were:

- Following a review, Monzo has decided to maintain the CIFAS marker application and its unable to provide any further information. Monzo has followed its internal procedures correctly.
- Monzo can’t reverse its decision to close Mr K’s account and has done so in line with the terms and conditions of the account. It can’t give any further explanation.
- Monzo should’ve returned Mr K’s funds sooner to him than it did. It will pay him a total of £102.85, which is made up of £100 compensation and 8% interest on the balance for the time it unfairly withheld the funds.

Mr K referred his complaint to this service. One of our Investigator’s looked into it, and they recommended the complaint was upheld in part. In summary, the key findings they made were:

- The account was closed in line with the terms and conditions of the account.
- The payment into the account was referenced for a computer game console. Mr K has provided screenshots of his conversation with his friend, and they can see he was carrying out their instructions of where to send the funds. Mr K also asked his friend if the funds were legitimate, and they said they were. Based on the evidence, there isn’t enough to say Mr K should have been aware the account was being used

for fraud.

- There isn't enough evidence to show Mr K had acted dishonestly in receiving the funds or that he was a witting beneficiary. So, the marker should be removed, and £100 compensation paid to Mr K for the inconvenience he's suffered.

Mr K agreed with what our Investigator said. Monzo didn't agree. In short, Monzo said:

- It wanted to see the evidence of the conversations Mr K had with his friend, particularly where he asked if the payment was legitimate. To the contrary, Monzo has seen evidence where Mr K is seen discussing somebody else who is involved in the activity having their account being blocked.
- This should have alerted Mr K to the fact the funds were illegitimate, but he still chose to proceed with the transfers.
- Mr K retained £100 of the £400 payment for his own use. This isn't reasonable given the cost of the computer game console.
- Monzo doesn't agree there's enough evidence to mitigate Mr K was unwitting to the fraud. Mr K willingly moved the funds, didn't push for clarification and question why their friend's account had become restricted. And he then retained a large portion of the funds for his own gain.
- Whilst Monzo accept there were elements of coercion and pressure, this was around urgency and there were no threats made.

Our Investigator didn't think Monzo's points made a difference. They added the funds received were eventually sent out of the account per the friend's instructions. And there isn't anything in the messages between the two parties which shows Mr K could keep some of the funds. So, they found that Mr K was most likely an unwitting beneficiary.

Monzo didn't agree. It added that Mr K openly admits to being a 'money mule' for a third-party, has benefited personally from some of the funds, openly talks about how to bypass its controls – so he was aware of the fraudulent nature of the activity.

As there was no agreement, this complaint has been passed 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.

Having done so, I have decided to uphold this complaint in part. I'll explain why.

Account closure

Banks in the UK, like Monzo, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

Monzo is entitled to close an account just as a customer may close an account with it. But before Monzo closes an account, it must do so in a way, which complies with the terms and conditions of the account. The terms and conditions of the account, which Monzo and Mr K had to comply with, say that it could close the account by giving him at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

Monzo closed Mr K's account with immediate effect. I'm satisfied that it acted in line with its terms and conditions in doing so given both parties don't disagree it had been used to

process a fraudulent payment, which was likely due to third-party coercion.

CIFAS marker

This brings me to the crux of Mr K's complaint. Monzo's internal records show the marker it filed with CIFAS is intended to record there's been a 'misuse of facility' – relating to using the account to receive fraudulent funds. In order to file such a marker, Monzo isn't required to prove beyond reasonable doubt Mr K is guilty of a fraud or financial crime, but it must show there are grounds for more than mere suspicion or concern.

CIFAS says:

- That there are reasonable grounds to believe that a Fraud or Financial Crime has been committed or attempted.
- That the evidence must be clear, relevant, and rigorous.

What this means in practice is that a financial business must first be able to show fraudulent funds have entered Mr K's account, whether they are retained or pass through the account. Having looked at the information both Monzo and Mr K has given me; I'm satisfied fraudulent funds entered Mr K's account.

Secondly, Monzo will need to have *strong* evidence to show the consumer was deliberately dishonest in receiving the fraudulent payments and knew it was, or might be, an illegitimate payment. A marker shouldn't be registered against someone who was unwitting; there should be enough evidence to show deliberate complicity. So, I need to consider whether Monzo has enough evidence to meet the standard of proof and load a marker for a misuse of facility with CIFAS.

Monzo agree there were elements of coercion and pressure placed on Mr K. The message screenshots Mr K has sent this service are generally in short text speak and slang. But having reviewed them, and looked into what some terms mean, I'm persuaded that:

- Mr K asked his 'friend' at the time if the money came from manipulating and thereby defrauding someone. The friend said they don't such things.
- Mr K was being told how to disperse the funds and was being socially engineered to help out this 'friend'.
- Mr K tells this friend his account has been restricted who then tells him what to say to Monzo. This is quite typical of social engineering and to my mind shows Mr K was doing what he was being told to do.

Monzo say Mr K kept around £100 for himself. I haven't seen any evidence of Mr K being told to keep funds for himself by the friend on the messages I've been provided with. I'm not persuaded by this argument. I say that because it appears all the funds were dispersed in further increments given the references that contained the so-called friend's name as it appears on the messages. So, I think its likely Mr K didn't keep any of the funds for himself.

I can understand why Monzo's own investigation originally concluded the CIFAS marker application was a finely balanced issue. But given what I've said above, I think its more likely that Mr K was unwitting and therefore not a willing party to the fraud. I would also add here that Mr K's age made him particularly vulnerable to falling prey to such type of deception.

After weighing everything up, I'm persuaded Mr K was unwitting - so the marker should be removed.

The application of the marker has caused Mr K significant distress and inconvenience – particularly as it has caused anxiety around his ability to progress in life after his studies. However, I think any award I make should be mitigated against given the complexity and finely balanced nature of this complaint. Because of that I agree that an award of £100 is fair compensation.

I note Monzo paid Mr K £100 and 8% simple interest for being deprived of his funds for longer than he should have. In relation to this in isolation, Monzo doesn't need to anymore.

Putting things right

To put things right, I now direct Monzo to:

- Remove the CIFAS fraud marker it has applied against Mr K.
- Pay Mr K £100 compensation.

My final decision

For the reasons above, I have decided to uphold this complaint in part. Monzo Bank Ltd must now put things right as directed above.

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

Ketan Nagla
Ombudsman