

## **The complaint**

Mr K complains Monzo Bank Ltd unfairly closed his account and applied a Credit Industry Fraud Avoidance System ('CIFAS'- the UK's fraud alert service) marker against his name.

## **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 K held an account with Monzo, which was opened in May 2023.

On 4 June 2024 Mr K received a payment for £300 into his account. This amount was then transferred out to another account held by Mr K. On 10 June 2024 Monzo received a fraud report regarding this incoming payment. Mr K's account was blocked on the same day whilst Monzo carried out a review of the activity. This included asking Mr K for details of the incoming payment to establish whether Mr K was entitled to receive it and it was legitimate.

Monzo asked Mr K for specific details regarding the payment through its online chat. Mr K didn't provide the necessary details and queried the block of his account with Monzo. As further details weren't provided, Monzo reviewed Mr K's account and issued a notice to close email on 20 June 2024. This explained the account would close immediately, in line with the account terms and conditions. Monzo says it wasn't obligated to provide Mr K with a specific reason for the closure, and the balance in the account was nil so no funds were due to be returned to Mr K.

In November 2024 Mr K raised a complaint with Monzo as he discovered a CIFAS marker had been loaded against his name by Monzo. Mr K said Monzo had recorded this unfairly and it had affected his accounts with other banks. Monzo reviewed Mr K's concerns and provided him with another opportunity for Mr K to explain his entitlement to the funds. Mr K said the payment was from a relative who lived abroad, and they asked a friend to pay Mr K the £300. Monzo considered this but maintained it had acted appropriately. It said, it had placed the marker in line with its internal policies and regulatory obligations. Mr K didn't think this was fair and referred the complaint to our service.

An Investigator looked into Mr K's complaint and gathered the relevant evidence. Mr K provided information about his entitlement to the funds – these included details of who the third party was and screenshots of conversations with this third party. In summary, Mr K said the funds were due to him as repayment of money from a relative, and the third party involved has now unfairly raised a fraud claim.

The Investigator didn't think the complaint should be upheld. The Investigator explained this was because:

- The loading of a CIFAS marker was fair and Monzo had provided evidence to show the standard of proof had been met.
- Mr K's testimony and evidence wasn't sufficient in explaining the account activity and his entitlement to the funds.

Mr K didn't accept the Investigator's findings and maintained he had been treated unfairly. 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.

I appreciate Mr K was disappointed by the Investigator's opinion. I'd like to reassure Mr K 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 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 Bank 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 K, but I'd like to reassure him that I have considered everything that he's told us.

As a UK financial business, Monzo is strictly regulated and must take certain actions in order to meet its legal and regulatory obligations. It's also required to carry out ongoing monitoring of an existing business relationship. This includes establishing the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. That sometimes means Monzo needs to restrict, or in some cases go as far as closing, customers' accounts.

As part of these regulatory duties, businesses will use databases to share information. CIFAS is a fraud prevention agency, which has a large database on which information is recorded to protect financial businesses and their customers against fraud. When a bank is a member of CIFAS, it can record a marker against a customer when that customer has used their account fraudulently. This type of marker will stay on a customer's record for a specific period, depending on the customer's age and will usually make it difficult for that customer to take out new financial products. CIFAS forms an important part of the financial services regulatory framework and is intended to assist in the detection and prevention of financial crime.

In order to file such a marker, Monzo is not required to prove beyond reasonable doubt that Mr K is guilty of a fraud or financial crime, but it must show that there are grounds more than mere suspicion or concern. CIFAS says:

- 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 is that Monzo will need strong evidence to show that Mr K has used the account to receive fraudulent funds. A CIFAS marker shouldn't be registered against a customer who has acted unwittingly – there must be evidence of a deliberate fraudulent action. The application of a CIFAS marker can have serious consequences for an individual, so this service expects business to carry out a thorough review of the available evidence.

My role is to establish if Monzo has sufficiently demonstrated it has met the burden of proof set out by CIFAS to load the marker against Mr K. Monzo has provided this service with details of the investigation it carried out following the fraud report it received. This included a detailed review of Mr K's account activity. At the time it loaded the marker against Mr K he hadn't provided specific details about the incoming payment. Given the lack of engagement from Mr K, and the evidence it held, I think Monzo acted reasonably in loading the marker against Mr K based on the evidence it held.

However, when Mr K raised a complaint about the application of the marker a further review was carried out. At this stage Mr K submitted details about the incoming payment. Mr K explained that he had sent £300 to a relative abroad using an international money transfer service. Mr K provided screenshots of these transfers and said a few months later he asked for his relative to pay him back. Mr K's relative informed him that a friend in the UK would send him the payment. Mr K says he doesn't know why this individual has now claimed this is a fraudulent payment and he is a victim in this situation. Monzo reviewed this and maintained its decision to upload a marker against Mr K, and based on the information I've seen I think this was the correct approach. I say this because Mr K's version of events at this stage didn't explain the fraud report received, and the reference used for the incoming payment.

When Mr K referred his complaint to this service he provided additional details regarding the payment. Mr K said there was an agreement between the third party who reported the fraud and another individual regarding payment for a medical claim, and this is why the incoming reference for his payment referred to this. Mr K provided details of the payment set up and various individuals involved and accompanied them with screen shots. The Investigator didn't find this evidence persuasive, and after reviewing Mr K's comments and submissions, I also don't find it persuasive. Mr K's account includes multiple individuals and the set up for the repayment of £300 doesn't seem plausible.

I've also considered the overall account activity. Mr K doesn't appear to use his Monzo account for daily spending and payments in are promptly transferred out by Mr M to another account. Overall Mr K's comments and the supporting evidence don't allay the concerns regarding fraud or show his entitlement to the funds.

My review of this information, alongside the submissions made by Monzo to this service has led me to the same view reached by the Investigator. The evidence available equates to more than mere suspicion or concern of fraudulent activity. I therefore find that the marker was loaded fairly.

I appreciate Mr K will be disappointed with my decision and I fully appreciate the impact the fraud marker is having on him. But I am satisfied Monzo acted reasonably in taking this action to discharge its regulatory obligations. 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 K to accept or reject my decision before 15 April 2025.

Chandni Green  
**Ombudsman**