

The complaint

A company that I will refer to as A, complains that that Monzo bank Ltd unfairly closed its account without providing a proper explanation and stopped it from accessing money held in the account.

Mr D a director of A, brings the complaint on behalf of A.

What happened

A had a current account with Monzo.

In February 2025, Monzo reviewed A's account. Following this on 7 February 2025 Monzo decided to close A's account immediately and sent Mr D an email to let him know he would need to make alternative banking arrangements for his business.

Mr D contacted Monzo via its in app-chat facility to try and find out what was happening with A's account and how he could access A's account balance, which at the time was just under £15,000.

Monzo wouldn't give Mr D much information and said that he would receive a letter explaining that it had decided to close A's account. And it had done so in line with the terms and conditions. Monzo released A's closing balance on 19 February 2025.

Following this, Mr D raised a complaint. He told Monzo that he wanted an explanation about why the bank no longer wanted A as a customer. He pointed out that he'd been a loyal customer and always used the account properly. And that the account was important to the running of his business. He explained that he'd missed important payments and received a late payment charge from HMRC because Monzo had closed A's account immediately.

In response, Monzo said it hadn't done anything wrong and had closed the account in line with the terms and conditions. Monzo also said it wasn't obliged to provide Mr D with an explanation why it had closed A's account.

Mr D remained unhappy and brought his complaint to our service. He said he wants Monzo to tell him why it closed A's account. Mr D said because of the account being closed without notice he had to find an account for A quickly. Mr D also said D missed important payments which were set up to leave D's account via direct debit. Regular suppliers had to be re-set up on the new account, and invoices changed to reflect new bank account details. All of which was time consuming and took him away from the running of his business. Mr D says the whole experience was very stressful on him personally and he couldn't sleep properly.

One of our investigators reviewed the complaint. The investigator asked Monzo to provide us with more information about why they had closed A's account. Monzo sent us information in confidence, which the investigator reviewed. After reviewing everything the investigator didn't think Monzo had treated A fairly when had closed A's account without notice. To put things right the investigator said Monzo should pay A £250 compensation, £244.60 for

financial losses, and 8% simple interest on A's balance for the time Mr D wasn't able to access the funds.

Mr D agreed. Monzo didn't. It said it had closed A's account in line with its risk policy and asked for an ombudsman to review the complaint.

As no agreement could be reached the matter 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.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from financial businesses as confidential for a number of reasons – for example, if it contains information about other customers, security information or commercially sensitive information. It's then for me to decide whether it's fair to rely on evidence that only one party has seen. It's not a one-sided rule; either party to a complaint can submit evidence in confidence if they wish to, and we'll then decide if it's fair to rely on it. Here, the information is sensitive and on balance I don't believe it should be disclosed. But it's also clearly material to the issue of whether Monzo has treated A fairly. So, I'm persuaded I should take it into account when deciding the outcome of the complaint.

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focused on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. 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. But I have read both parties' submissions.

Monzo are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations they must meet when providing account services to customers. They can broadly be summarized as a responsibility to know its customer, monitor accounts, verify the source and purpose of funds, as well as detect and prevent other financial crime. Monzo will review accounts to comply with these responsibilities. Sometimes following a review, a bank will decide to close an account.

As the investigator has already explained, it's generally for financial institutions to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Each financial institution has its own criteria and risk assessment for deciding whether to open or close accounts and providing an account to a customer is a commercial decision that a financial institution is entitled to take. Unless there's a very good reason to do so, this service won't usually say that a bank must keep a customer or require it to compensate a customer who has had their account closed.

The terms and conditions that applied to A's current account set out that Monzo could close the account by giving A at least two months' notice. In some circumstances it could close the account immediately, which is what happened here. Monzo wrote to Mr D on 7 February 2025 saying that after blocking A's account it would be closed immediately.

I've looked at the information Monzo has given us in confidence about what caused them to close A's account. Based on what I've seen I'm not satisfied Monzo had grounds to close A's account immediately. I would expect to see stronger evidence than it has provided. So, I'm not persuaded that Monzo has treated A fairly.

Having looked at all the evidence, I'm satisfied that Monzo would still have closed the account – but I think Monzo should have given A two months' notice. So, I won't be asking Monzo to reopen the account.

I understand of course why Mr D wants to know the exact reasons behind Monzo's decision to close A's account. It can't be pleasant being told you are no longer wanted as a customer. But Monzo doesn't disclose to its customers what triggers a review of their accounts. And it's under no obligation to tell Mr D the reasons behind the account closure, as much as he'd like to know. So, I can't say it's done anything wrong by not giving Mr D this information. And it wouldn't be appropriate for me to require it to do so now.

Following the closure of the account Monzo told Mr D that he needed to provide alternative account details to them so that it could transfer A's account balance, which at the time was just under £15,000. Mr D did so promptly and Monzo released A's balance on 19 February 2025. Given I've said Monzo should have provided A with two months' notice it follows that Mr D would have had access to the money in the account during the notice period. Due to the immediate closure Mr D had to wait for Monzo to release A's funds. So, I'm not persuaded Monzo has been reasonable here. A was deprived of the use of these funds for longer than necessary.

Mr D has also said that A incurred a late payment charge from HMRC because of the immediate closure of A's account. He has provided evidence to show that he had to pay just under £250 for a missed VAT payment that was due on 7 February 2025 - the day A's account closed. Mr D says he was unaware he'd missed the payment as it was set up as a direct debit on A's account but due to the block and closure of A's account the payment never made it to HMRC. And he only became aware it hadn't been paid when his accountant let him know. So, I'm satisfied that A has lost out financially as if Monzo had given A more notice and allowed Mr D access to the funds in the account, the direct debit would have left A's account as scheduled.

I've therefore gone onto consider what Monzo needs to do to put things right. Where I decide that a complaint should be upheld, any award I make is designed to put the customer as far as possible in the position they would be in if things had happened as they should have done. And where I award compensation for distress and inconvenience this isn't to punish the business but to reflect the impact its actions had on its customer.

It's also important to bear in mind that this is A's complaint. And although a company can't suffer distress, it can experience inconvenience a result of a bank's actions or failures. I'm sorry to hear about the personal impact felt by Mr D, but A is a limited company and so its own legal entity. This means I can't consider the upset Mr D felt personally, I can only consider whether Monzo acted fairly and reasonably towards A.

I've considered how Monzo actions impacted A. Mr D had to spend time away from running his business to set up a new account for A quickly. I also can see Mr D as director of A, spent time contacting Monzo trying to find out what had happened and why the account had been closed. And he had to spend time making arrangements to pay suppliers via alternate means. So, I can appreciate this would've been inconvenient.

Based on the evidence I'm also satisfied that A incurred a penalty charged, which if Monzo had given A more notice more likely than not would have been avoided as the bill was set up as a direct debit to leave A's account. And it's only right that Monzo recognises this.

To put things right I'm satisfied that £250 recommended by the investigator is a fair amount of compensation and proportionate to the trouble Mr D was caused in the overall circumstances of this complaint.

Monzo should also pay A £244.60 for the financial loss caused by A having to pay a HMRC penalty charge. And Monzo should pay A 8% interest on A's account balance from 7 February 2025 until the date Monzo released the funds back to Mr D.

In reaching this conclusion, I've kept in mind that Mr D would always have had to spend time sorting things out even if things happened as they should have – in particular, that Monzo would still have closed A's account. Nonetheless, had Monzo given Mr D more time, he'd still have had use of the account while he looked for other accounts elsewhere.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint. To put things right Monzo Bank Ltd should:

- Pay A £250 compensation for the trouble caused by closing A's account without notice.
- Pay A £244.60 for its financial loss caused by incurring a late payment charge.
- Pay A 8% simple interest for loss of use of A's account balance from 7 February 2025 until the funds were released to Mr D)*.

*If Monzo Bank Ltd considers that it's required by HM Revenue & Customs to deduct tax from that interest, it should tell A how much it's taken off. It should also give Mr D a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask A to accept or reject my decision before 5 February 2026.

Sharon Kerrison
Ombudsman