

The complaint

Mr M complains that Monzo Bank Limited blocked then closed his account. And sent money that was paid into his account back to source. He's also unhappy with the service Monzo provided.

What happened

The detailed background to this complaint is well known to both parties. As such, I'll provide only an overview of the most essential facts here.

Mr M had a current account with Monzo, which he opened in June 2025.

On 10 October 2025, Mr M's account received two payments of £320 and £1,500 from two individuals I will refer to as S and C. Mr M proceeded to spend some of the funds.

Following this, Monzo received a fraud report and indemnity from another bank. The other bank said that their customer, C, had been the victim of a scam and asked Monzo to recover the £1,500, Mr M had received from C so that they could return it to the victim of the scam. Monzo received a second similar report about the money Mr M had received from S.

In response, Monzo contacted Mr M and asked him to provide proof of his entitlement to the money he'd received from S and C. Mr M told Monzo that he'd received the money to help pay for his tuition fees and accommodation costs. He provided Monzo with a copy of his university enrolment in support of his explanation.

Monzo said it needed to investigate what had happened and time to review the paperwork Mr M had provided about his entitlement to the money. Whilst it carried out its review, Monzo blocked Mr M's account. Monzo also asked Mr M to provide details of another account so that it could refund his remaining balance. Mr M gave Monzo details of another account.

Following this Monzo closed Mr M's account immediately and said it wasn't willing to refund Mr M the money he'd received from C and S. Monzo recovered just over £1,600 of the fraudulent funds and sent it back to source.

Mr M raised a complaint. He said he wanted Monzo to refund him the money that he'd lost, and pay him compensation for the trouble and upset the matter had caused him. In response Monzo said it hadn't done anything wrong and closed Mr M's complaint. Mr M said Monzo hadn't addressed his complaint properly and had misled him into believing his money would be returned to him by asking him for an alternative account.

In response, Monzo said it had been complying with its legal and regulatory obligations when it had blocked Mr M's account and returned the money paid into Mr M's account back to source. Monzo accepted that it could have provided better service in the information it gave to Mr M. To put things right Monzo offered Mr M £15 compensation.

Unhappy with this response Mr M brought his complaint to our service. He said:

- Monzo should have done more to help him be able to recover the money it sent back to source. He says he is now out of pocket and wants Monzo to refund him the money he says he lost.
- The two payments (£1,500 and £320) represented the conversion of his personal savings into GBP for his tuition and accommodation. He had been working in France for seven years used a cryptocurrency trading platform for currency exchange due to more favourable exchange rates.
- He did not have a personal relationship with the senders. They were individual traders on the exchange platform who facilitated the agreed currency conversion. The transfers resulted from that exchange transaction and were not from any illicit or commercial source.
- When Monzo inquired about the transfers, he responded promptly via the in-app chat, explaining that the funds were designated for university fees and attaching supporting documentation, including the enrolment letter and housing information. He was not previously advised that this response was inadequate or that further documentation was necessary. Subsequently, Monzo unilaterally escalated the matter without affording him a fair opportunity to respond.
- Due to the actions of Monzo, he failed to meet his university registration deadline of 17 October 2025 and was consequently unable to make timely payments for rent and tuition, resulting in both financial and administrative difficulties.

Mr M provided supporting documentation about the letters threatening his expulsion from the student residence and copies of his currency exchanges on the cryptocurrency platform.

One of our investigators looked into Mr M's complaint and asked him for some more information – including about the transactions he made on the trading platform. After looking at everything the investigator said:

- Monzo hadn't done anything wrong when it had returned the money Mr M received from C and S back to source.
- Monzo didn't treat Mr M unfairly when they had closed his account immediately.
- Monzo's service had fallen short - Monzo hadn't addressed all of Mr M's complaint points and had given him conflicting information.
- To put things right the investigator said Monzo should pay Mr M £100.

Mr M disagreed. He said:

- He acknowledges that using a P2P cryptocurrency platform involves inherent risks, and that this was an individual choice. However, by returning the funds to unidentified third-party accounts and refusing to provide any information that could facilitate recovery, Monzo has effectively made it impossible for him to recover £1,603.46, despite his cooperation and the evidence he provided regarding the origin and purpose of the funds.
- The proposed compensation does not, in his view, reflect the gravity of the consequences. As an international student with limited resources and no family financial support in the UK, these funds were intended to cover his tuition fees and rent. The situation puts him in an extremely vulnerable position, jeopardising his housing security and ability to continue his studies.
- In this context, a payment of £100 may acknowledge shortcomings in complaint handling; however, it is clearly disproportionate to the loss of £1,603.46 and the tangible impact on his academic and living arrangements.
- The funds are legitimate, and there is no basis to infer illicit activity from their origin.

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 Mr M fairly. So, I'm persuaded I should take it into account when deciding the outcome of the complaint.

Account block

I'll deal first with Monzo's decision to block Mr M's account. I want to make it clear that I understand why what happened concerned Mr M. I've no doubt it would've come as quite a shock to him, and he would've been very worried to find out that his account had been blocked. But as the investigator has already explained, Monzo has extensive legal and regulatory responsibilities they must meet when providing account services to customers. They can broadly be summarised as a responsibility to protect persons from financial harm, and to prevent and detect financial crime.

I've considered the basis for Monzo's review and decision to block Mr M's account. Fraud is a serious matter. Monzo had been contacted by another bank who told them, Mr M had received fraudulent funds into his account. Based on this I'm satisfied that Monzo's decision to block Mr M's account was therefore legitimate and in line with its legal and regulatory obligations. Doing so also enabled Monzo to consider how best to react to the information it had received from the sending bank about the money that had been paid into Mr M's account. So, I'm satisfied Monzo acted fairly by blocking Mr M's account.

The terms and conditions of Mr M's account also make provision for Monzo to review and suspend an account. And having looked at all the evidence, including the information Monzo has provided to this service in confidence, I'm satisfied that Monzo have acted in line with these when it suspended Mr M's account. So, although I understand not having access to his account caused Mr M trouble and upset it wouldn't be appropriate for me to award Mr M compensation since I don't believe Monzo acted inappropriately in taking the actions that it did when it blocked Mr M's account.

Funds returned to source

Banks have a responsibility to protect their customers from harm, including fraud. That includes protecting customers from what's known as multi-stage fraud – where money is transferred from one bank to another and ultimately lost to a fraud, almost invariably involving cryptocurrency – which has grown very significantly in recent years.

Mr M received two payments into his account from C and S. Mr M spent some of the money. Monzo then received a fraud report from another bank relating to one of the payments and an internal fraud report relating to the other. Both said the senders of the funds had fallen victims to scams.

Mr M says he received the payment for a legitimate P2P crypto sale which he made using a well-known trading platform. He said Monzo did not investigate things properly and been overzealous in taking the steps it had. He added the funds were legitimate. He explained that the whole situation had taken its toll both emotionally and financially.

Whilst I appreciate Mr M's position the customer's whose accounts were debited reported that they had been the victims of scam – that they had been tricked into believing they were being given a job. And as a result, money had been sent to Mr M who then spent some of the funds – so he appears to have benefitted from fraudulent funds.

I've thought about what Mr M has said about why he was expecting to receive the payments. And I've looked at all the evidence he's provided, which includes the screenshots he's sent from the trading platform. However, based on the evidence and information before me, including the records Mr M sent, I'm satisfied Monzo acted reasonably by returning the payment to the sending bank and its other customer. I say this because:

- Monzo received a report that the payers had fallen victim to job scams, and Mr M's account had been used to receive the payments.
- The trading platform records Mr M provided show the real name of the buyers of the cryptocurrency, but their name is very different to the name Mr M received the money from.
- The £320 buyer also told Mr M that a friend would send the payment on their behalf, which is against the platform's trading terms and conditions.
- Mr M needed to check the payments before releasing his cryptocurrency to the buyer, but he doesn't look to have questioned why the payment was made by someone else, which is something I would reasonably expect him to have done.
- I appreciate Mr M feels strongly that Monzo shouldn't have returned the payments reported as fraud. And I want him to know I understand he may have genuinely sold cryptocurrency to a third party and not been involved in anything untoward. But while many people use cryptocurrency genuinely, it is also a common medium for conducting illegitimate activity, including scams, where proceeds are converted into cryptocurrency or vice versa.
- I've considered the additional points Mr M has made, but they have not changed my mind. I understand using a peer-to-peer platform meant he had no control over who made payment to his account. But I don't find this meant he shouldn't have queried why different people made the payment other than the confirmed name of the person he was dealing with on the platform. I appreciate Mr M saying he acted in good faith, and I acknowledge this could well be the case. But I have found Monzo had sufficient concern based on the persuasive nature of the reports they received, and the payer mismatches. So, I won't be asking Monzo to refund Mr M.

I next turn to the closure of Mr M's account. As a bank, Monzo has a broad commercial discretion to decide who they want as a customer, and there is no legal obligation for them to keep a customer. But they should still ensure they follow their terms and conditions when closing an account, and that their decision is lawful and not plainly irrational or due to an error.

Monzo had received two reports of fraud. Given the fraud reports, and that Mr M had received proceeds of selling cryptocurrency resulting from a scam, into his account, which was understandably very concerning, they decided continuing to service Mr M with an account was outside their risk appetite. I find their decision represented a genuine exercise of their commercial discretion, so they were able to close his account. And did so in line with the terms and conditions of the account.

Another part of Mr M's complaint was how Monzo communicated with Mr M about his complaint and what it said was happening to the money that had been paid into his account that was ultimately sent back to source. Mr M said he was given conflicting information and Monzo closed his complaint without looking into all his complaint points

Having looked at all the evidence, I agree that Monzo asked Mr M for his account details on 15 October 2025. At the time, not all the funds had been returned to source. Three days later Monzo then told Mr M that none of the remaining funds would be returned to him - at which point all the funds had been returned to source. We've asked Monzo about this interaction – they agree the request was unnecessary. But I don't think it warrants compensation. I say this because the money was always going to be sent back.

With regards to the complaint handling, having looked at how Monzo dealt with things I agree that Monzo's service fell short during this time. I can see that Mr M had raised several key complaint points on 15 October 2025 – only some were addressed in the final response letter Monzo issued on 28 October 2025. So, I don't find Monzo treated Mr M fairly here and I can understand why he was frustrated.

Following this Monzo then provided conflicting information about addressing these missed complaint points, before a final response was issued on 27 November 2025 fully addressing these. Monzo offered Mr M £15 for this failing. But like the investigator I don't think this goes far enough. So, I agree I think £100 recommended by the investigator is more reasonable to reflect the trouble and upset Mr M was caused.

In summary, I still find Mr M ought to have held sufficient concern about the payments and should have questioned things before releasing the cryptocurrency. Again, this doesn't mean Monzo had to firmly conclude Mr M was necessarily a party to fraud, but I find the evidence caused them sufficient concern and doubt to warrant the actions they took. So, I don't require Monzo to reopen Mr M's account or refund the payments.

My final decision

For the reasons I've explained my final decision is that I uphold this complaint in part. To put things right Monzo Bank Limited should pay Mr M £100 for the trouble and upset it caused by its poor service.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 11 May 2026.

Sharon Kerrison
Ombudsman