

The complaint

Mr R complains that Monzo Bank Ltd unfairly closed his account and registered a CIFAS marker against him. CIFAS is the UK's fraud alert service.

What happened

Mr R had an account with Monzo.

In January 2023, a payment of £200, was made into Mr R's account, with the reference 'house renting.' The payment was made from an individual I will refer to as A. Following this Monzo were notified by another bank that the payment was fraudulent.

Monzo decided to review how Mr R was operating his account. Whilst it did so it blocked Mr R's account but allowed Mr R to access up to £250 each week to cover his everyday expenses. As part of its review Monzo asked Mr R about the £200 payment and to provide evidence that he was entitled to the money. In response, Mr R told Monzo that the money was from a friend's cousin who was paying him back after he'd previously lent money to his friend.

Monzo asked Mr R if he could provide any evidence to support his explanation. In response, Mr R sent Monzo a screenshot of an account with another financial business relating to a transaction for £200, on the same date he received the payment from A. Mr R said that he'd lent his friend the money as his friend's father had died and he needed money to fly overseas.

Following its review, Monzo placed a fraud marker against Mr R's name with CIFAS, the Credit Industry Fraud Avoidance System. Monzo also decided to close Mr R's account immediately and returned the money received from A, back to source.

Mr R complained to Monzo. He explained that he hadn't been involved in any fraud and that the payment had been made by his friend's cousin who was simply paying him back on behalf of his friend. In response Monzo said it hadn't done anything wrong when it closed Mr R's account and returned the money. However, it accepted that its review of Mr R's account had taken around two weeks longer than it should have done so it offered Mr R £75 compensation for any trouble and upset this delay had caused him.

Unhappy with this response, Mr R brought his complaint to our service. Mr R said that Monzo has unfairly loaded the marker against him, and he hasn't behaved fraudulently. He wants the marker removed and the money that Monzo sent back to source returned to him. He's said that he is having trouble opening another bank account and has had accounts closed, which he suspects is due to the marker.

An investigator looked into Mr R's complaint. He asked Mr R about the payment into his account and whether he had any evidence to support his explanation. Mr R said he had provided everything that he could. Mr R said he was given a screen shot by his friend to

provide to Monzo when his account was first blocked, to help show where the money had originated – which he maintained was from his friend's cousin.

The investigator reviewed everything and said that Monzo hadn't done anything wrong when it closed Mr R's account and loaded a marker against him. He also thought Monzo had done enough to put things right when it offered Mr R £75 compensation for taking too long to complete its review. Mr R disagreed. He wants the marker removed. He said the marker was making it very difficult for him to open a bank account.

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'll deal first with the bank's decision to close Mr R's account. It's generally for banks to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. 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.

A bank is also generally entitled to close an account providing it's in line with the terms and conditions of the account. In this instance the terms of Mr R's account say that in certain instances Monzo can close the accounts with immediate notice. And it doesn't have to provide a reason for doing so.

Having looked at all the information available to me, including Monzo's actions and the information it's provided, and how Mr R was using his account, I've seen nothing to suggest Monzo's decision around closing Mr R's account was unfair. I'm satisfied here that the bank's decision to stop providing Mr R with banking facilities was reasonable. I'm also satisfied that Monzo acted in line with the account terms and relevant regulations when it decided to close Mr R's account. So, I can't say Monzo has treated Mr R unfairly when it closed his account immediately. And I won't be asking Monzo to reopen Mr R's account.

I've next moved on to consider whether Monzo treated Mr R fairly when it recorded a fraud marker against his name. When a business is a member of CIFAS it can record a marker against an individual customer when that customer has used their account fraudulently. This type of marker will stay on record for six years and will usually make it difficult for a customer to take out new financial products as Mr R says he has encountered.

The marker that Monzo have filed with CIFAS is intended to record that there's been a 'misuse of facility' – relating to using the account to receive fraudulent funds. In order to file such a marker, they're not required to prove beyond reasonable doubt that Mr R is guilty of a fraud or financial crime, but they must show that there are grounds for 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 in practice is that a bank must first be able to show that fraudulent funds have entered Mr R's account, whether they are retained or pass through the account.

Secondly, the bank will need to have strong evidence to show that the consumer was *deliberately* dishonest in receiving the fraudulent payment and knew it was, or might be, an illegitimate payment. But 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 have sufficient evidence to meet the standard of proof and load a marker for misuse of facility with CIFAS and return the money paid into Mr R's account back to source. Having looked at all the information provided, including what Mr R has said about the funds and the evidence he's provided to support his explanation, I'm satisfied they have, and I say this because:

- I've seen evidence from Monzo showing that another bank notified them that Mr R received a fraudulent payment of £200 into his account in January 2023. The payment was referenced 'house renting.'
- Mr R has explained his friend, who I will refer to as B, had asked him to lend him some money so that he could travel overseas after the death of his father. But I find it surprising that Mr R thought funds from his friend's cousin should be repaid using a reference relating to the renting of a property, with no evidence of links between Mr R's friend and the sender of the funds. Even more surprising is that Mr R didn't question why he was being sent funds in this manner. With this in mind I think Mr R knew or ought reasonably to have known, that the account was being used for fraudulent purposes.
- If Mr R had been the unwitting beneficiary of fraudulent funds, I would've expected him to alert Monzo at the time in order that his account could be safeguarded against fraud. But I haven't seen that he did so.
- Mr R hasn't provided any evidence about his arrangement with his friend which would support his explanation, such as any communications between the two about lending money, how much Mr R lent his friend and evidence showing money leaving his account being paid to his friend. The only evidence he's provided is a screenshot which suggests others are involved. Having looked at the screenshot I'm not persuaded that this shows Mr R was an unwitting beneficiary of fraudulent funds as he's suggested. It doesn't give a complete account of how Mr R became involved. And it's not clear if the individual named at the top of screenshot is the person Mr R says he lent money to in the first place.
- I note too, from looking at Mr R's Monzo account statement that Mr R had been transacting with the individual whose name appears in the screenshot for a number of months. So, it's not clear to me why Mr R was happy to receive money from others on behalf of this individual when it appears Mr R was able to send and receive payments from this individual's account without any issues.
- Monzo asked Mr R to provide information about the transaction from A. But Mr R provided a screenshot relating to a completely different transaction and didn't explain how this related to the payment he received from A. Mr R also hasn't provided the details of his friend who he lent money to or the name of his friend's cousin.
- I also find it significant that the reference for the fraudulent payment states 'house renting' which is in line with the information provided by the other bank relating to their customer who told their bank that they had been the victim of a rental scam.

- In my view I think it's most likely Mr R allowed his Monzo account to be used for receiving fraudulent funds. And I think he was a willing participant in this and reasonably knew this wasn't a legitimate activity.

So, when I weigh everything up, I'm not persuaded by Mr R's version of events that he knows nothing about the fraudulent payment. Having looked at all the evidence, I think there would've been good grounds to report the events here to the police to investigate, and that Monzo was therefore justified in placing a CIFAS marker against Mr R's name. I think the evidence shows that Mr R was involved in a misuse of facility. I also think it more likely than not that Mr R knew rather more about the account activity than he's told Monzo or this service. So, I won't be asking Monzo to remove the marker.

Finally, Monzo has explained that due to back logs it was experiencing at the time it blocked Mr R's account it took around two weeks longer for it to get around to contacting Mr R and ask him about the money that was paid into his account. This meant Mr R's account was blocked for longer than it should have been.

Whilst it completed its review Monzo restricted Mr R's access to his account and placed a limit of £250 on his account activity. Mr R has said that this meant he had to borrow money to help pay for everyday expenses. So, I'm satisfied that Mr R was caused some trouble and upset by Monzo's delays. And it's only right that Monzo recognises this.

Monzo has accepted it took too long to complete its review and has offered Mr R £75 compensation for any trouble and upset this caused him. I think this is a reasonable way to resolve this aspect of Mr R's complaint, so I won't be asking Monzo to do anything more.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 14 February 2024.

Sharon Kerrison
Ombudsman