

## **The complaint**

Mr S complains that Monzo Bank Ltd have unfairly taken £1,800 from him that was reported as fraudulent. He'd like the funds returned to him.

## **What happened**

Mr S held an account with Monzo. In January 2023 he transferred in £1,800 from an account he held with an e-money provider I shall refer to as B.

B then contacted Monzo to say the funds had been reported as fraudulent. Monzo blocked Mr S' account while they carried out a review. They made the decision to close his account and informed him of this. They allowed him to withdraw the remaining balance of the account, except the £1,800 that had been reported, which was sent back to B. They also added a marker against Mr S with the fraud prevention agency CIFAS.

Mr S complained about the marker, and Monzo deducting the £1,800. Monzo responded and agreed that they had made an error in adding the CIFAS marker. They removed it and paid Mr S £60 compensation. But they said they had acted in line with regulatory guidelines and their internal processes in closing his account and returning the funds to source.

Unhappy with this Mr S referred the complaint to our service. He said that the money had come from a cryptocurrency trading platform, where he had legitimately sold cryptocurrency for GBP. The money had been transferred to his account with B, then onwards to Monzo. He said he wasn't involved in any fraudulent activity. He provided copies of the transaction records with the cryptocurrency provider, and message with the buyer.

Our investigator was persuaded that Monzo were complying with the legal and regulatory obligations when reviewing and closing Mr S' account. But they were persuaded that Mr S was able to provide a reasonable explanation of where the funds came from, and Monzo hadn't allowed him to explain himself. They thought it more likely than not Mr S was an unwitting beneficiary of fraudulent funds, and as such it was unreasonable for Monzo to return them. They asked Monzo to refund the £1,800 and 8% simple interest on this amount from the date the review was completed to the date of refund. They also suggested he receive £150 compensation.

This was accepted by Mr S. But Monzo did not agree, saying they had received a fraud report and an indemnity from B. They said they had acted in line with their own internal processes. As no agreement could be reached the 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.

Firstly, Monzo have already accepted it was an error to add a CIFAS marker against Mr S, and he has already accepted the redress proposed for this. So, this decision will solely

concentrate on the closure and decision to return the disputed funds. Based on what I've seen I'm not satisfied that it was reasonable for Monzo to return these funds. I'll explain why.

Firstly, I've reviewed the fraud report Monzo received. It's right that they treat reports of fraud seriously, and it's not unreasonable that they decided to carry out a review. But I also consider that best practice for any review to involve discussing with Mr S about whether he had a legitimate claim to the funds in the account, or a credible dispute to the reported fraud. I can't see that they discussed the payment with him before deciding to return the funds.

Mr S has provided our service with an explanation for the source of funds, and provided evidence to show that he sold cryptocurrency, the proceeds were deposited into his account with B and then sent onwards to Monzo. He's also provided communication he had with the buyer of the cryptocurrency. The name of the sender of the funds is different to the name of the person he thought he was speaking to, which potentially could have alerted him something was up. But nothing I've seen suggests Mr S was engaging in an investment scam, as the fraud report alleges.

Monzo haven't provided anything that contradicts or disputes his story. Had they discussed this with him, they could reasonably only reach the same conclusion. So, I don't see that they've treated him fairly.

I've reviewed the terms of Mr S' Monzo account that were in force at the time. These say Monzo can close an account by giving at least two months' notice, or immediately in certain circumstances. I've considered these circumstances and while I'm satisfied Monzo could close Mr S' account, I'm not persuaded any of the reasons for immediate closure are valid. There is also no provision in the terms for Monzo returning funds to source when an account is closed.

There is a provision for returning funds if someone pays in money by "mistake" – but in this case there doesn't appear to have been any mistake. The funds were paid in deliberately, by Mr S, and he received them legitimately for the sale of cryptocurrency. So, I can't see that under the terms Monzo could unilaterally decide to debit funds from Mr S account.

Monzo have said they received an indemnity from B. But indemnities don't create specific obligations on financial businesses – they are agreements between the parties. It's still up to Monzo whether they return the funds or not. In this case I don't see that it was fair for Monzo to return the funds to B, as he had a credible claim to the ownership of the funds. And as Mr S had already parted with his cryptocurrency he has doubly lost out.

As such I'm satisfied that it's fair for Monzo to return the £1,800 to Mr S. As he has been deprived the use of these funds, I see it's reasonable to add 8% simple interest per annum to this amount to reflect the loss of use of these funds.

I also accept that it will have incredibly frustrating to Mr S to have his account closed and be deprived of the funds without being asked for his side of the story. I see it's appropriate for Monzo to pay him compensation to reflect the impact of this. Having considered what happened, I consider £150 to be an appropriate amount.

### **My final decision**

My final decision is that I uphold this complaint and I direct Monzo Bank Limited to:

- Refund Mr S £1,800
- Add 8% simple interest per annum to this amount, from the date the review as completed – 25 January 2023 – to the date of settlement

- Pay Mr S £150 compensation for the reasons given above

If Monzo consider that HM Revenue & Customs require income tax to be deducted from the interest award above, they should tell Mr S how much has been deducted and provide with a certificate showing this, so he can reclaim the tax if eligible.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 6 March 2024.

Thom Bennett  
**Ombudsman**