

The complaint

F, a limited company, complains that Monzo Bank Ltd blocked and then closed its bank account.

What happened

F opened an account with Monzo in June 2024. In July 2024, F received a payment from the personal account of one of its directors. It then tried to pay these funds to an account belonging to a used car dealership. Monzo blocked this payment and contacted F to ask for further details of the payment. It told F it was concerned it may have been the victim of a scam. F's director told Monzo that she'd borrowed money from a friend and paid it to the car dealer, as the car dealer had offered to buy massage chairs F could sell through its online shop. F said it didn't know who the ultimate supplier of the massage chairs was – and as the arrangement had been agreed face-to-face it didn't have any paperwork or other documentation to corroborate this.

Monzo then decided to block and close F's account. On 5 July 2024, it asked F to provide details of another account to pay the remaining funds to. F provided the account details of the person F's director had borrowed the money from. Monzo paid these funds to the third party on 15 August 2024.

F thinks Monzo has acted unfairly. It says that because it no longer had access to the account it was unable to fulfil orders. It reckons it lost sales of £5,000. It says it had to find alternative funding sources to keep the business afloat. It also says it suffered damage to its reputation. Finally, it says this caused stress and anxiety for F's director.

Our investigator considered all of this. It felt that Monzo was acting in line with its statutory and legal obligations when it blocked and closed the account. F doesn't agree with the investigator. 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.

Monzo, like all financial businesses, is subject to important legal and regulatory requirements which are intended to protect customers and the public from financial crime. It's also expected to have systems and processes in place to protect its customers from fraud. This is reflected in the terms and conditions that applied to F's account, which state:

“When we won't make a payment

We may refuse to make a payment, or reject an incoming one if:

- it breaches our legal or regulatory obligations
- it's outside our risk appetite
- we suspect you're a victim of fraud

- your instructions are unclear
- we suspect criminal activity on your account
- it goes over your payment limits (you'll find these in your app; they'll change over time).

If we block a payment, we'll let you know as soon as possible using one of our usual channels.”

With this in mind, I'm satisfied that the terms and conditions allowed Monzo to block payments out of F's account. I also find that Monzo was acting in line with its legal and regulatory obligations, and the terms and conditions, when it questioned F about this payment. And given F was unable to provide any documentation to support what it said the payment was for, I can't conclude it was unfair for Monzo to have refused to make this payment, which I find was also in line with the terms and conditions.

I next turn to the closure. The terms and conditions allowed Monzo to close the account for any reason provided it gave at least two months' notice. In some circumstances it can close accounts immediately. Where it does this it doesn't need to give reasons, and it wouldn't be appropriate for me to share its precise reasons with F. Given everything I've said above I'm satisfied Monzo was acting in line with the applicable terms and conditions when it blocked and closed F's account.

Finally, I've considered the delay in the return of the funds. F asked for the funds to be returned to the third party who lent them to F's director on 5 July. Monzo didn't do this, however, until 15 August. Monzo accepts this took longer than it should have done.

But where I decide, or a business agrees, that something went wrong, any compensation I'd award would be intended to put the customer as far as possible in the position they'd be in had things happened as they should have done. And as F is a limited company, I can only consider the impact of Monzo's actions on F, not the impact its actions had on the director personally or her friend who lent the funds.

While I acknowledge the delays, I don't think Monzo needs to do anything further to put things right. The funds were returned to the person who lent F the funds. F has told us that this person was then warned by his own bank that this was the last time he could assist F financially. With that in mind, I cannot conclude that F was in any materially worse position because of the delay – it seems most likely that it would have needed to find alternative funding sources for its business in any case. And I've found the closure of the account was fair - it still wouldn't have had access to the business account and would have needed to make alternative arrangements to make and receive payments for its business. I accept that F's director found what happened stressful – and I don't doubt that what happened was stressful. But F's director is a separate legal person to F. I can't award her compensation personally.

Having carefully considered all the circumstances of this complaint, I don't accept it would be fair or appropriate for me to tell Monzo to pay F compensation for what happened. I don't uphold the complaint and I'm not going to tell Monzo to do anything to put things right.

My final decision

I don't uphold the complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask F to accept or reject my decision before 20 December 2024.

Rebecca Hardman
Ombudsman