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Monzo Fined £28M for Weak Financial Crime Controls

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Digital bank Monzo has been fined £28 million by the United Kingdom's Financial Conduct Authority for failing to maintain robust systems to prevent financial crime, following an investigation into breaches from 2018 to 2021.

Digital bank Monzo has been fined £28 million by the United Kingdom's

Financial Conduct Authority (FCA) after an investigation revealed serious failures in its financial crime controls between 2018 and 2021. The penalty comes as regulators increase scrutiny on how fast-growing fintech firms manage risks related to money laundering and other illicit activities.

The FCA, which is responsible for regulating financial services in the UK, found that Monzo failed to put in place adequate systems to detect and prevent financial crime. According to the regulator, Monzo did not properly assess risks when onboarding new customers, nor did it monitor ongoing activity in customer accounts effectively. These shortcomings, the FCA noted, created the risk that the bank could be used to facilitate money laundering.

During the review period from October 2018 to April 2021, Monzo grew rapidly, onboarding millions of new customers. However, the FCA stated that this growth came at the cost of compliance. The bank allegedly lacked sufficient resources in its financial crime operations team, and the systems in place were not keeping pace with the bank's expansion.

The FCA said the fine of £21.1m had been discounted from £30.1m after Monzo agreed to resolve the problems. In a statement, Monzo said it takes its responsibilities seriously and has already made substantial improvements to its controls and internal procedures.

Since the period covered by the investigation, Monzo has strengthened its anti-money laundering framework. The bank claims it has invested heavily in technology, staffing, and training to ensure it meets regulatory expectations and better protects customers.

The FCA highlighted that financial firms, especially those growing rapidly, must not neglect their responsibilities to safeguard the financial system. Sarah Pritchard, the FCA's Executive Director of Markets, said, "Monzo failed to put in place systems and controls that were appropriate to the size and complexity of its business. This led to an unacceptable risk of the bank being used for financial crime."

These fine underscores the importance of strong compliance practices, especially for digital banks and fintech firms expanding at a fast pace. Regulators are sending a clear message: innovation and growth must go hand in hand with effective risk management and regulatory compliance.

As Monzo continues to evolve, the bank will now be expected to demonstrate that it can balance growth with the kind of robust financial crime controls that protect both its customers and the wider financial system.