

The complaint

Miss S complains that Monzo Bank Ltd (“Monzo”) refused to refund a transaction taken from her account that she didn’t authorise.

What happened

Miss S was expecting to receive the funds as a result of a home business she’d started during lockdown. She’d received a similar amount a few days earlier and had taken the money out at an ATM shortly after it arrived in her account. She was waiting for the latest funds to arrive and then noticed her account balance was only a few pence.

Miss S noticed a payment had left her Monzo account which she didn’t recognise. She reported it to Monzo shortly after seeing it and asked them for a refund. Monzo asked Miss S whether she’d given access to anyone else or forwarded emails allowing someone else to log on to her account. Miss S said that no one else had access and she hadn’t forwarded an email to anyone to allow them to log in or given her PIN code to anyone else.

Monzo secured the account and investigated the transaction. Monzo declined to refund it because they considered Miss S authorised the transaction herself. Monzo noticed a secure email had also been forwarded, which they considered as negligent because along with the secure PIN code would give someone else access to the account.

Miss S strongly denied this and identified the recipient of the funds via social media. Miss S entered into numerous conversations with this person who denied having anything to do with a fraud against Miss S.

Miss S complained to Monzo about their refusal to refund her money, Monzo looked into the matter and wouldn’t change the outcome. Unhappy with their response, Miss S brought her complaint to our service for an independent review.

An investigator looked into the complaint and didn’t uphold it, she thought that there wasn’t any evidence that anyone else was involved in authorising the payment.

Miss S disagreed and asked for her complaint to be looked at again. It’s been passed to me for a decision.

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.

The complaint that Miss S brought to us is that someone made a payment from her account without her authorisation. The relevant law is contained in the Payment Service regulations (2017). The basic position is that Monzo can hold Miss S liable for the disputed payment if the evidence suggests it’s more likely than not that she made it or authorised it.

Authorisation is made up of two parts – authentication and consent. Authentication refers to the procedure used by the bank to verify that a payment was made and usually refers to the technical evidence.

Monzo have supplied evidence showing that on the day of the transaction, two different devices were logged on to the account. The data indicates that a new payee was set up and the disputed transaction was sent to another bank account. The evidence shows that strong customer authentication (the PIN code for the banking app) was used on several occasions to confirm access to the account.

I don't know how a third party could have known the relevant information they did here to set this payment up and then make it. They would have needed to have known Miss S's PIN code and there are no records of this being entered with any mistakes in a way that might suggest an unknown third party trying to gain unauthorised access to the account. Instead, the PIN looks to have been entered correctly before the payments were made.

Monzo haven't been able to supply all the authentication data for this transaction, but Miss S has also confirmed that a new payee was successfully set up on her account. From what I've explained above and Miss S's own information, I think it's more likely than not the transaction was properly authenticated.

But, I also have to consider the second part – consent. Miss S has denied making this payment and I've carefully considered the circumstances at the time.

Once Miss S noticed her expected payment hadn't arrived, she contacted Monzo and asked them what had happened. Miss S realised shortly after that the money had been sent via a faster payment bank transfer to another account which she didn't recognise. Monzo secured her account and started to investigate.

Monzo identified a second device (using another operating system for a mobile phone) had started logging into the account some days earlier. Miss S told Monzo that she didn't use this type of device.

Miss S supplied screenshots from her email system to Monzo to allow them to investigate what had happened. This showed that a special login email received from Monzo had been forwarded from Miss S's account despite warnings from Monzo not to do this. This email, along with the unique PIN code for the banking app gives complete control over the account.

Miss S denied sending this to anyone but the evidence from her own email shows that it was sent – although it doesn't indicate to who. The email was received shortly before the other device logged in to the account for the first time. For this device to have logged in, it would also need the unique PIN code used by Miss S, but she's denied giving this to anyone. I can't see how someone unknown to Miss S would've been able to know this number though. And I think it's unlikely that an unknown third party would be able to guess the PIN code and obtain the login email without Miss S's knowledge.

The other device continued to login to the account over the next few days. On the day of the disputed transaction the funds arrived into the account at 18:01 and both devices were logging into the account within minutes of each other, including Miss S's device at 18:03 where the incoming payment would likely have been visible. The other device then takes over at 18:04 and the payment leaves the account at 18:06. Whilst I appreciate Miss S denies making the payment, the available evidence leads me to conclude that Miss S more than likely consented to the payment. I say that because:

- the login email was forwarded just before a new device logged in for the first time - despite Miss S telling Monzo she hadn't done this.
- Miss S's email account was checked for other devices that may have interfered with her emails and no unidentified devices were found.

- The user of the other device would also have needed Miss S's unique PIN and Miss S was the only one who knew this. I can't see how it could have been obtained without Miss S's knowledge or without Miss S passing this on.
- The timings of the activity suggest the other device user was aware that funds were due in as they were moved within five minutes of their arrival into the account.

So, having considered all the evidence here – I think it's unlikely that an unknown third party could have gained access to the account without Miss S's email and PIN, both of which she controlled. On balance, the evidence leads me to conclude that Miss S more than likely carried it out herself, or gave access to her account for someone else to complete the payment. I realise that Miss S will disagree with this, but it's what all the evidence I've seen here leads me to conclude.

The relevant regulations here go on to say that Miss S can be held liable for a payment she didn't make or authorise, if she acted with 'gross negligence' in allowing it to be made. Monzo has explained that it thinks she was. But as I'm satisfied that it's more likely than not that she authorised the payment here – gross negligence isn't a relevant consideration in the circumstances.

So, it follows that it's reasonable for Monzo to hold Miss S responsible for the payment here. If Miss S wishes to pursue the recipient of the funds through the authorities or the courts then she's free to do so.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 10 September 2021.

David Perry
Ombudsman