

The complaint

Miss L complains that Monzo Bank Ltd (Monzo) allowed her to deposit transactions to a gambling company, despite having a gambling block on her account.

What happened

In September 2020 Miss L made several payments to a gambling merchant. She complained to Monzo as she was meant to have a gambling block on her account, but instead they had let all of the transactions go through. As a resolution to her complaint she would like a refund of all the payments made.

Monzo explained that they allowed the transactions to go through as the merchant had identified itself as a business not associated with gambling, not because of a fault with Monzo's system.

They said the gambling block feature works by blocking merchants who identify themselves as being part of the gambling industry. This is done using their Merchant Category Code (MCC) which is set by Mastercard. If the merchant's MCC is gambling related any transactions are blocked, but if it's not, the payments are allowed to go through.

Monzo explained the merchant used by Miss L used a code that identified it as a clothing and accessory shop meaning the payments weren't automatically blocked. It was only in September 2020 that it was brought to their attention by a different customer. Following this, all future payments were manually blocked.

Miss L has also said the transactions went through because she had used a virtual primary account number (PAN), and not her Monzo card's PAN. She also considered the transactions to be fraudulent as the merchant used the wrong MCC.

Monzo explained the transactions would have gone through on either PAN, and it was only because the merchant had mis-declared their MCC that the payments hadn't been blocked.

They also said the transactions couldn't be classed as fraudulent as Miss L had authorised them. They explained that if Miss L wanted a refund, she would need to contact the merchant directly, or she could let them know if she wanted to raise a dispute.

Following Monzo blocking the payments to the first merchant, Miss L made payments to different gambling merchants as well. These payments were also allowed to go through. However when speaking with Monzo about the first merchant, Miss L didn't advise them of the names of the other merchants she had processed payments with.

Our investigator was of the opinion that Monzo had acted fairly. He explained that as the merchant hadn't used the correct MCC, there was little Monzo could do to block the transactions. He also explained that once Monzo were made aware of the merchant, they acted quickly to manually block any future transactions.

Miss L disagreed. She explained that while all transactions couldn't be flagged, the amount and frequency of the ones she had made should have raised some alarm with Monzo.

Our investigator's opinion remained the same. He explained that during a call with Monzo, Miss L had the opportunity to let them know about the other merchants she had gambled with but didn't. Overall he felt Monzo hadn't done anything wrong as they wouldn't have been able to tell which transactions had been made for gambling purposes.

Miss L disagreed so the complaint has been passed to me for review.

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.

Having considered everything, I agree with the outcome reached by the investigator. I will explain why.

When making my decision, I must decide whether or not Monzo have acted incorrectly. When a gambling block is put in place, Monzo put together a list of codes that let them identify gambling merchants. If a payment is made to one of these merchants, they do their best to block it and stop it going through.

While I do appreciate it was very unfortunate that the incorrect MCC was used by the gambling merchant, I can't say that Monzo were at fault for not blocking the transactions, as they weren't to know what they were.

As soon as Monzo were made aware in September 2020, they acted quickly to manually block all future transactions.

In relation to the PAN used by Miss L, I'm satisfied that the transactions would have gone through regardless of which one she used. This is because the issue was solely with the MCC rather than how the payments were made.

I also note that Miss L has said that the merchant has committed fraud by using the incorrect MCC. While I can't look into this in any detail, I would consider that as Miss L has confirmed she made and authorised the payments, knowing they were going to a gambling merchant, they wouldn't be considered fraudulent. However Miss L can raise this directly with the merchant if she wishes to. Monzo have also said they will raise a dispute on her behalf.

In relation to the other transactions that were made, I am of the same view. The names of the merchants wouldn't indicate clearly that they were used for gambling. So it wouldn't be fair of me to say that Monzo should have blocked the transactions. I know that Miss L has said they were all the same merchant but with different names, however regardless of the different names, I don't think it would be reasonable for Monzo to spot they were used for gambling purposes.

Overall, given everything, I haven't seen anything to suggest that Monzo have made any errors here. I do empathise with Miss L and it is very unfortunate that the gambling merchant was using the wrong MCC. But it wouldn't be fair of me to say it was Monzo's fault that the transactions went through. As soon as they became aware they blocked any future payments.

Because of this, I won't be asking them to do anything further.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 26 October 2021.

Danielle Padden
Ombudsman