

The complaint

Mr A complains that Monzo Bank Ltd failed to refund a transaction he didn't recognise.

What happened

Mr A transferred funds into his Monzo account for a purchase he was due to make. Within a few minutes of receiving the funds, he saw a message from Monzo that a debit card payment had been made to a merchant I'll refer to as C for an online transaction. Mr A didn't recognise making this payment and transferred the remaining balance to a different account in order to protect it from further fraud.

Mr A contacted Monzo about the disputed transaction and told them he hadn't authorised it. Monzo asked Mr A about his card and personal identification number (PIN) and whether anyone else knew them. Mr A confirmed that he still had his card in his possession and that no one else had access to it or knew the PIN.

Monzo told Mr A to contact C about the payment and raise it with them. Mr A was told by C that it was Monzo's responsibility to raise it and he was sent back to Monzo.

Monzo looked into the circumstances surrounding the payment and decided not to refund Mr A. They believed he'd authorised the payment and relied on the timing of the incoming transfer that facilitated the disputed transaction to support their case. They also believed the transfer of the remaining funds was suspicious. Monzo's decision was made the same day it was reported to them by Mr A.

Monzo decided not to raise a chargeback on Mr A's behalf because they believed he'd authorised it. Mr A complained about how Monzo had handled the matter. Monzo again looked into the situation and didn't change their opinion. Mr A remained unhappy with Monzo and brought his complaint to the Financial Ombudsman for an independent review. When Mr A first registered the complaint he gave two addresses, his current one and his previous address where the Monzo account was registered to.

It was looked into by one of our investigators who thought it was reasonable for Monzo to hold Mr A liable for the transaction because the evidence showed it was Mr A using his mobile app when the payment was made from it, including reference to IP address data.

Note: IP addresses are a means to identify physical locations that online transactions are connected to and can be the actual physical location or other locations connected to the provider of the data services.

Also, that the timing of the incoming payment and the outgoing disputed transaction was suggestive that it was unlikely this information was known to anyone other than Mr A. Our investigator also thought the movement of the remaining funds was linked to Mr A authorising the transaction. They didn't uphold the complaint.

Mr A disagreed with the outcome and asked for a further review, re-iterating that he hadn't authorised it and the transfer of the remaining funds was a reaction to a fraudulent payment

on his account to protect his funds. Mr A said his device wasn't used for the transaction.

Mr A believed the facts weren't understood and the evidence supports his assertion that he didn't authorise the transaction. That's because it was an online transaction that didn't need his physical card or his device, which he still had in his possession.

I issued a provisional decision outlining my initial thoughts which said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Monzo believed Mr A was responsible for authorising the payment. They came to this conclusion within a few hours of receiving Mr A's notification about the disputed transaction. Essentially, Monzo thought that the incoming payment and the timing of the outgoing payment were so close together, that it couldn't be anyone else who made it.

When I've examined the circumstances of this complaint, it's evident that the payment wasn't made using Mr A's mobile app on his phone, rather it was made using the card details from his debit card.

What that means here is that any reference to IP address data (referred to in the investigator's outcome) from the use of Mr A's device isn't relevant to whether he carried out the transaction or not. Online transactions such as this one needed information from Mr A's debit card, together with whatever C required to complete the order.

So, I've gone on to think about whether Monzo have provided sufficient proof that Mr A authorised this payment. The relevant law surrounding authorisations are the Payment Service Regulations 2017. The basic position is that Monzo can hold Mr A liable for the disputed payment if the evidence suggests that it's more likely than not that he made them or authorised them.

Authorisation is made up of two parts. Authentication and consent. Authentication is usually referred to as the technical evidence and in this case, Monzo have supplied evidence that shows the payment used Mr A's debit card details. I'm satisfied the evidence shows the disputed transaction was authenticated.

Consent refers to the way in which Monzo and Mr A agreed to operate the account to allow Monzo to make payments on Mr A's behalf. For example, Monzo's terms and conditions set out that if a payment is arranged through the use of the debit card details, then Monzo accept that the instruction to make the payment is authorised by the account holder. So, because Mr A's debit card details were entered - I'm satisfied that consent was given, and the disputed transaction was authorised. But, there are exceptions where it wouldn't be appropriate for Monzo to hold Mr A responsible, for example if his card details were used without his permission.

The incoming payment and the outgoing card transaction took place within about five minutes of each other, so I can see why Monzo thought this was suggestive that Mr A was responsible for the transaction. That's because it would be difficult to explain how someone

knew the incoming payment would be available in his account, and the disputed payment would have likely failed without the receipt of this payment because there weren't enough funds in the account prior to its receipt.

Monzo considered that the incoming transfer followed by an outgoing payment was how Mr A normally operated his account. Together with the removal of the remaining funds to

another account in his name, this was an indication that supported Monzo's belief that Mr A was responsible for the disputed transaction.

Mr A explained that he transferred funds in because he was going to purchase an item, so I don't think this was in anyway unusual with how his account operated or the reason for the incoming payment. Monzo have confirmed that Mr A would have received a payment notification on his app when the debit card transaction was put through C's payment system. Mr A said it was this that alerted him to remove his remaining funds to protect them and I think this is what I'd expect someone to do in a similar situation. By doing this, he reduced the risk of losing further funds.

Mr A doesn't know how anyone could have known about this but has consistently denied it was him that made it. Online transactions such as this don't always require much in the way of additional information to enable them to be made. The authentication data provided by Monzo shows it's an online payment made to C, using Mr A's card details. Most of the other information needed (by C) to process the transaction would have been collected by them. Usually that's contact information and address data which is used, partly, to confirm the payment details and arrange collection or delivery.

I don't know what details were collected by C because they wouldn't deal with Mr A and Monzo didn't contact them about the transaction. Because the payment was made using Mr A's debit card, that meant it utilised the Mastercard network to facilitate the payment. Payments made using their network are subject to certain rules and procedures. They have a separate system to challenge payments called "Chargebacks".

Chargebacks aren't a right, so it's not something that Mr A can require Monzo to do. However, the Financial Ombudsman Service expects a bank to make a chargeback, where there is a reasonable prospect of success. Mr A didn't specifically request that Monzo make a chargeback on his behalf, nor do I think he needed to. Mastercard's system and processes are complex and I wouldn't necessarily expect Mr A to know about them. Monzo on the other hand are in a position to understand the avenues available to them when dealing with a transaction that Mr A disputed. That included making a chargeback request.

Monzo, in their response, explained that they didn't make a chargeback because they believed Mr A had authorised the transaction. It's far from clear if Mr A authorised the transaction himself as the details used were obtained from his debit card. I can't know how these details were obtained, but there's nothing else apart from the timing of the payment that indicates it was Mr A who made the payment.

Monzo's decision not to undertake a chargeback denied them the opportunity to challenge the payment on Mr A's behalf and understand the other details collected by C. Mastercard chargeback rules indicate that a card holder can challenge a payment because they didn't authorise it, so I think it was possible for Monzo to make such a challenge to C. Chargebacks have strict time limits and unfortunately they've now expired, so this process is no longer available to Monzo.

I can't know the outcome of any chargeback because I don't know how C would have responded. But if Monzo had made one, they would have, at the very least, had more information about the transaction. They could then have made a more informed decision

about whether to refund Mr A or not. Because Monzo decided not to mount a chargeback on behalf of Mr A when it was an avenue open to them, I think this has resulted in an unfair outcome for him.

I'm currently thinking of upholding this complaint and I intend to instruct Monzo to refund the

disputed transaction to Mr A, add 8% simple interest from the date of the payment to the date it's repaid. I also intend to instruct Monzo to pay Mr A £75 for the way in which they handled the situation and the inconvenience caused to him.

I invited Mr A and Monzo to give me any more evidence and information they wanted me to consider before issuing my final decision. Mr A accepted my provisional decision and Monzo added:

- The claim and chargeback were declined because the circumstances were highly suspect and “...*there's no way that this payment couldn't have been made by anyone else.*”
- Monzo went on to say that “... *we find the possibility that the customer's card details were compromised, used only once and used for an amount under the balance shows that the customer is complicit.*”
- Monzo repeated their assertion that the timings were supportive of their case and there were no other uses of the card or other devices associated with the account.

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.

I've already addressed the use of the account by Mr A, and Monzo haven't added anything that would change my mind about the incoming payment and why Mr A deposited it into his account.

I don't think Monzo's assessment of the timings makes any allowance for the possibility that Mr A's card details were used by anyone else and as I've already said, the evidence that it was him is far from persuasive.

I understand Monzo's assessment of the details including the lack of additional attempts on the card or that no other devices were recorded using the account. But whilst these can be related to attempts to avoid liability for transactions – Monzo don't appear to have given much credence to Mr A's attempts to find out the details of the transaction with C.

Would Mr A approach C to try and get details of the transaction if it was him? Surely he'd know that if Monzo approached C (as he was told they should do by C), they would obtain details about the payment. If that was the case and it looked like it was Mr A who made the payment, then wouldn't he realise he'd be held liable for it? But, as I've already mentioned, Monzo decided not to pursue a chargeback.

Monzo believed that because the payment was less than the available balance, it was indicative that it was Mr A who made it. I can see why Monzo thought that, but it's equally arguable that if it was Mr A – then why didn't he utilise more of the available funds in his account? Also, it's supportive of the position that whoever made the transaction knew enough that funds were being transferred but not the actual amount.

I accept there are some indications that Mr A may have had some knowledge of the payment, but the facts also support his stance that it wasn't him, including the movement of his remaining funds from the Monzo account once he received the notification about the unrecognised payment. I don't think Monzo have provided sufficient evidence to hold him liable for the payments. Monzo also didn't mount any Chargeback request and I think this has led to an unfair outcome for Mr A – particularly when he tried to obtain the details from C

himself but was told that it was Monzo's responsibility.

Putting things right

I see no reason to change the outcome set out in my provisional decision. It follows that I uphold this complaint. As the disputed transaction was a distance contract and my decision is that Mr A can't be held liable for it – Monzo are required to refund it.

My final decision

My final decision is that I uphold this complaint and instruct Monzo Bank Ltd to:

- refund the disputed transaction to Mr A, add 8% simple interest from the date of the payment to the date it's repaid.
- To pay Mr A £75 for the way in which Monzo handled the situation and the inconvenience caused to him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 16 June 2022.

David Perry
Ombudsman