DRN-3505487

The complaint

Miss R complains that Monzo Bank Ltd failed to refund a transaction she didn't recognise and took too long to investigate her concerns.

What happened

Miss R was with a group of people, some of whom were her friends. One of these people asked to borrow Miss R's phone. Miss R gave them the phone and the Personal Identification Number (PIN) to unlock it.

Miss R explained that she left the person with her phone alone for a few minutes. When she returned and retrieved her phone, she noticed that a payment had been sent from her Monzo account to another person's account using the faster payment system.

Miss R contacted Monzo about this but had some difficulty reporting the issue. There were a series of calls between Miss R and Monzo and some of them were quite heated. Eventually Monzo dealt with Miss R's report as an account takeover, which meant the card allocated to the account was also blocked. This caused Miss R more frustration because she'd only just had a new card, but Monzo explained that as someone had been using her app, they needed to replace the card to protect her account.

Monzo asked Miss R to report the matter to the police. Miss R explained that the local police wouldn't take her report and directed her to Action Fraud who logged it and took no further action. There was some confusion about whether Miss R had reported it to the police or just Action Fraud.

Miss R thought that various members of Monzo had been unhelpful and rude to her and made a complaint about this. Monzo were investigating the loss of her funds but couldn't find any point of compromise for how someone could have known the PIN for the banking app - which was different to Miss R's phone PIN. Miss R confirmed that she hadn't given her banking PIN to the person who used her phone.

Once Monzo had finished their investigation they told Miss R they wouldn't refund the money but accepted that her earlier attempts to report the loss were handled poorly and paid £25 to recognise the level of customer service experienced by Miss R.

Miss R remained unhappy with how Monzo dealt with her loss and brought her complaint to the Financial Ombudsman Service for an independent review. It was looked into by one of our investigators who asked both parties for information about the complaint. Miss R explained what had happened and Monzo provided information about the transaction and their dealings with Miss R. Monzo explained that Miss R had been sent funds from the same person who received them from her account and believed the matter was something for them to settle between them. Miss R explained that she sold clothing and the money received from this person was related to sales and nothing to do with the payment made to them from her account.

Our investigator thought that Miss R was responsible for making the transaction and that

Monzo's investigation was conducted without undue delay. Miss R's complaint wasn't upheld.

Miss R remained unhappy with the outcome and asked for a further review of her complaint which has now 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 relevant law surrounding authorisations are the Payment Service Regulations 2017. The basic position is that Monzo can hold Miss R liable for the disputed payments if the evidence suggests that it's more likely than not that she made them or authorised them.

Monzo can only refuse to refund unauthorised payments if it can prove Miss R authorised the transactions, but Monzo cannot say that the use of the internet banking app conclusively proves that the payments were authorised.

Unless Monzo can show that consent has been given, it has no authority to make the payment or to debit Miss R's account and any such transaction must be regarded as unauthorised. To start with, I've seen the bank's technical evidence for the disputed transactions. It shows that the transactions were authenticated using the payment tools issued to Miss R. I'll now need to consider if sufficient evidence has been provided to show that Miss R consented to the transaction.

To gain access to the Monzo banking app requires knowledge of the PIN, which here is different to the PIN needed to open Miss R's phone. There are settings available on the app that allow it to be left open, so it's possible that once someone was able to gain access to Miss R's phone, the banking app could have been opened. But, in order to set up a new payee – which is what happened here – the banking PIN would be needed to confirm the new payee. This extra security step is designed to prevent such unauthorised use of the app.

Miss R has confirmed that she didn't give her banking PIN to anyone and the PIN wasn't an obvious one. So, it's difficult to see a plausible explanation that would allow someone to access Miss R's banking app and set up a new payee without being given the PIN. I don't think it's likely it could have been guessed as there are too many possible combinations. Whilst I'm sure Miss R will disagree with me, there's no plausible explanation how someone could have obtained her banking PIN, so I think that it's more likely than not that Miss R was responsible for making this transaction.

Customer Service

When Miss R reported her concerns, she had some difficult conversations, and having listened to them, I can see why she was frustrated at how some of the security questions were interpreted. It's apparent that Miss R continued to get more frustrated which led to more heated conversations. Monzo attempted to understand what had happened to Miss R and used their account take over process to secure her account.

I realise Miss R was frustrated about this because she'd just had a new card and her current loss wasn't through the use of her card. She thought it was unnecessary for Monzo to block her card and issue a new one. But, Monzo felt this was the best way to secure Miss R's account when they weren't sure what had happened. I don't think Monzo's approach was unreasonable here because it wasn't clear what other access that person had had, and this left Miss R vulnerable to other losses if her card wasn't replaced. Monzo could have explained this to Miss R in clearer terms but I appreciate some of the calls were difficult as often both parties were talking over each other.

Monzo later recognised that they could have provided better service to Miss R when she made her report. I think the £25 payment was a reasonable way for them to recognise this and won't be asking them to do anything further.

Investigation Delay

I've looked at the timeline of Monzo's investigation and this was completed within about two weeks. I don't think Monzo delayed their investigation and the timescale was a reasonable one given the circumstances of the complaint by Miss R.

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 R to accept or reject my decision before 27 July 2022.

David Perry
Ombudsman