The complaint

Mr R complained because Monzo Bank Limited refused to refund him for transactions which he said he didn't authorise.

What happened

On 17 May 2021, there was a credit to Mr R's account for £7,665. The same day there was a debit to a cryptocurrency organisation for £1,076.35.

The next day, 18 May, Mr R carried out various small transactions. In the evening there were two more transactions to the cryptocurrency organisation, one for £1,184.38 and one for £216.61.

On 19 May, Mr R contacted Monzo to dispute all three payments to the cryptocurrency organisation. He had difficulty getting through, and said he'd been on hold for 20 minutes and then the line cut off.

By chat, Mr R told Monzo that he thought someone might have had access to his phone, and knew his PIN. He said ''*there are a lot of scams these days.''* He asked Monzo for his money back and said he hadn't made the transactions.

Mr R told Monzo that his girlfriend and his brother had access, and other people might have seen his bank card. Monzo refused to refund Mr R. It said the decision was based on the fact that the transactions had been authorised using 3DS verification. That needed access to Mr R's Monzo account on his phone. And he'd told Monzo that was still in his possession, so it wasn't possible for the transactions to have been authorised by anyone else. Monzo said that if Mr R wanted to contact the merchant himself, if could provide the information it would need to investigate.

And Monzo also said that under the terms and conditions, it had the right to close an account at any time. Mr R's account would be closed on 24 May, which would give Mr R time to move out all remaining money from the account.

Mr R asked why Monzo couldn't refund him, and said it was a fraud. Monzo said it had already reviewed the claim and couldn't give him a refund. Mr R wasn't happy and said that Monzo should refund him by law, and he never knew this would be the outcome.

Monzo's final response letter on 1 June didn't uphold Mr R's complaint about the disputed transactions. It repeated that the transactions had been authorised using 3DS verification, which required access to his Monzo account on his phone, which he'd told Monzo he still had in his possession. So it wasn't possible for the transactions to have been authorised by anyone else. Monzo did accept that Mr R had had difficulty contacting Monzo by phone, and paid him £25 as an apology.

On 8 June, Mr R told Monzo that he'd made a mistake when answering ''yes'' when Monzo had asked him if he still had his phone. He said he hadn't had access to his mobile phone, and he'd only said so because he'd been worried about the transactions. But Monzo didn't change its mind. And it closed Mr R's account immediately on 9 June.

Mr R wasn't satisfied and contacted this service. He said he hadn't approved the payments on his mobile banking app. He said Monzo shouldn't approve large payments without sending a text message to the customer's phone for approval. He said anyone could sign in to your mobile banking app and make payments. He also said he only used Monzo for small shopping on the way to university or his part-time job. Mr R said this was causing him depression and lack of sleep. He asked for a refund of the total £2,477.34.

Mr R also told our investigator that his family members wouldn't access his phone, and he understood the terms and conditions of the account about not sharing details. He said he was sure his household wouldn't make payments without his permission. He explained that he lived with his parents and they didn't speak or understand English – so for them to access his phone was impossible.

Mr R also said he'd previously mentioned that his girlfriend had access to his accounts, but he trusted her wholeheartedly. He said his brother also knew his passcode but would access his confidential belongings. And he said he had his Monzo mobile banking app details saved on his phone notes, but wouldn't share it with anyone. He explained that he normally logged in using face ID, or his six digit PIN. He said he'd never used his Monzo card for any purchases more than £100.

Our investigator didn't uphold Mr R's complaint. She noted that Mr R had said that in the 21st century it was possible to anyone to gain access to your mobile banking app, by getting access to your username, password and account details. But the investigator said that as IT systems had become more sophisticated it was possible to tell exactly which device was used to make the disputed payments – which Monzo had sent to us. This showed that no device other than Mr R's had been used for the disputed payments.

The investigator also said that Mr R's bank statements showed that it wasn't correct that he'd never used the account for payments over £100. Monzo had sent us these, and they didn't show what Mr R had said. And they also showed a history of purchasing cryptocurrency. The investigator also thought £25 was fair for Mr R's difficulty getting through to Monzo.

Mr R didn't agree. He said he'd said many times that he hadn't authorised the transactions himself, and it wasn't acceptable that Monzo had said the transactions had been confirmed by 3DS. He asked to see the evidence Monzo had provided to this service. He said Monzo's decision had caused him health difficulties and if necessary he would take Monzo to court. He asked for an ombudsman's 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.

There are regulations which govern disputed transactions. The relevant regulations for these disputed transactions are the Payment Services Regulations 2017. In general terms, the bank is liable if the customer didn't authorise the payments, and the customer is liable if he did authorise them. The regulations also say that account holders can still be liable for unauthorised payments under certain circumstances – for example if they've failed to keep their details secure to such an extent that it can be termed ''*gross negligence.''*

So I've looked at the available evidence to decide whether it's more likely than not that Mr R authorised the three disputed payments.

Monzo provided us with computer evidence about the payments. It also explained that in order to log into an account, the customer would need access to the linked email address. A login link is sent to the registered email address, and when that link is used, the Monzo apps is opened. This then requires the customer's PIN (personal identification number) which the customer chose for themselves when opening the account. So whoever carried out the transactions would have needed Mr R's device, access to his email, and would have had to know his PIN.

The evidence also shows that only one device accessed Mr R's account during this time. That device was also used for the other, undisputed payments. It was also the device which transferred Mr R's remaining balance to his account with another bank, after Monzo told Mr R it was closing his account and he'd need to move his remaining balance. So the device used for the disputed transactions was Mr R's device.

Mr R initially told Monzo that he still had his phone. He changed this after Monzo issued its final response letter, and instead said he hadn't had access at the time of the disputed transactions, and he'd given the wrong information because he'd been worried about the transactions.

But there are undisputed transactions around this time – such as a pharmacy transaction between the first and second disputed transactions. So anyone else using Mr R's phone for the disputed transactions would have had to take it and use it, return it to him, take it again, and return it again, all without Mr R's knowledge. He's certain that none of his family carried out the transactions. But it's hard to see how any unknown third party could have obtained the phone and returned it twice, without Mr R's knowledge.

Mr R said that he believes anyone can sign in to your mobile banking app and make payments. But there are computer safeguards designed to prevent that. 3D Secure (3DS) is a way of increasing security by requiring a customer to complete an extra verification step when paying. Different methods are used, and it doesn't have to be confirmation by text message, as Mr R says it should be. I've seen evidence from Monzo's computer records which shows that 3DS was used to verify all three disputed transactions.

Mr R also told us that his bank statements would show he'd only made transactions at restaurants or coffee shops and some retail stores. He said he'd never used the card for purchases about £100, so why would he make purchases over £1,000? But this isn't what his bank statements show. Certainly there are some small food purchase payments. But there are also larger transactions. These include a payment on 12 May 2021 for £348.10. And this payment, which Mr R didn't dispute, was to buy cryptocurrency. It was a purchase from a different cryptocurrency business than the three disputed ones. But it was still a payment which was for over £100 and was to buy cryptocurrency, just like the three disputed ones.

Taking all this evidence into account, I consider it's more likely than not that Mr R authorised the disputed payments himself.

I've also considered the compensation which Monzo paid Mr R for the difficulties getting through. I find that £25 was fair and reasonable for this.

When Mr R sent us his complaint form, he didn't mention Monzo's closure of his account after the discussions he had with them about the disputed transactions. I also can't see that he complained about that to Monzo. But for completeness, I'd confirm that under the terms and conditions of Mr R’s account, it did have the authority to close Mr R’s account in these circumstances.

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 Mr R to accept or reject my decision before 25 July 2022.

Belinda Knight
Ombudsman