

The complaint

Mr S complained about Monzo Bank Limited. He said a cash machine debited his account but didn't dispense his money, but Monzo refused to refund him.

What happened

On 30 May 2021, Mr S contacted Monzo and disputed a transaction. He said he'd used a cash machine which hadn't dispensed his money. He provided a photo of a receipt, timed at 13:36 that day, which said *"You have exceeded your daily withdrawal limit. You have not been charged for this transaction."*

Monzo's disputes team looked at the evidence, but said that that receipt matched a later withdrawal attempt. In chat, it asked if he'd made two different attempts to withdraw cash. Mr S replied *"My friend had made the transfer [a £300 deposit at 11.09 on 30 May] as he could not withdraw funds himself. I immediately tried withdrawing after he made that transfer and was not able to with [sic] anything."*

Monzo gave Mr S a temporary £250 credit and contacted the cash machine provider. But the machine owner produced evidence which Monzo said showed that £250 had been successfully withdrawn from Mr S's account at 13.34. There'd been a second attempt at 13.36, which had failed because of Mr S's daily withdrawal limit, as the receipt said. So Monzo rejected Mr S's disputed transaction claim and said it would re-debit the temporary £250 credit in two weeks' time.

In chat with Monzo on 21 July, Mr S said the cash didn't come out, and that it was an absolute disgrace and he'd be closing his account. He asked why it had shown as a failed transaction, and pointed out that he'd even sent Monzo a photo of the receipt which had shown that the transaction had failed. Mr S then wrote *"I've just checked with my mate who transferred the money, he was the one who tried withdrawal and he confirms categorically that he actually only tried once."*

Monzo didn't change its mind, and in its final response letter on 5 August, it said that it had raised a chargeback for Mr S, and the card company had ruled in favour of the cash machine provider. It pointed out that the receipt Mr S had provided had a different time stamp to the payment which had debited Mr S's account. It also said that as it had now taken back the temporary credit, this had resulted in an unarranged overdraft, and asked Mr S to get in touch if he was worried about repaying this.

Mr S wasn't satisfied and contacted this service. He told the investigator he'd never disputed trying twice to get the money out. He said one withdrawal appeared on his internet banking as a failed transaction but had then disappeared off his internet banking, and the other had appeared as a debit saying the money had come out. He said the money had never come out, and Monzo had never answered his question asking for CCTV to prove the money hadn't come out.

The investigator asked Monzo for more information. These included, among other requests, information about:

- any reported issues with the machine around the time of the disputed transaction;
- a copy of the journal roll including transactions around the time of the withdrawal;
- whether there had been any evidence of a third party device fitted to the machine;
- evidence to show whether any money had been found in the purge bin (where returned notes go);
- the end of day balance for the machine on the day of the disputed transaction;
- whether or not there had been any CCTV in the area, and if so, whether Monzo had requested this.

But Monzo said the investigator would have to ask the machine provider. The investigator reminded Monzo of the Regulations about disputed transactions, but Monzo said the investigator's queries were outside its chargeback processes.

So the investigator upheld Mr S's complaint. She said Monzo's notes appeared to show it was confused and struggling to interpret the journal roll correctly, or to be categorically sure that the cash had been dispensed. She said it was likely that if the cash hadn't dispensed first time, Mr S would have tried again. She thought that if the machine had dispensed the £250 first time, Mr S wouldn't have tried again just two minutes later. And Mr S had asked for any CCTV – which would have been a risk if that might have shown the money had indeed been dispensed. She said Monzo should pay Mr S £250 for the disputed transaction, with interest at 8% plus £100 compensation for distress and inconvenience.

Monzo didn't agree. It said there was nothing wrong with the evidence it had provided, because it showed the full amount dispensed with no errors. It said that was all the card provider specifically required for a chargeback. Monzo also didn't agree with the investigator's arguments that Mr S would have tried again if the machine hadn't dispensed first time, and that it would have been risky for him to have asked for CCTV if he'd been dishonest. It said these were a "*best guess*" and weren't relevant to whether or not it had handled the complaint correctly in line with the card provider's very specific rules. Monzo 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.

Regulations

There are regulations governing disputed transactions. For Mr S's complaint, these are the Payment Services Regulations 2017. These say that the payment service provider (here, Monzo) must first show the transaction was authenticated. There's a second stage if authentication is satisfied, which considers whether or not the customer authorised the transaction. But authentication must be satisfied first. The relevant section of the Regulations is section 75, which says:

"Evidence on authentication and execution of payment transactions

75.—(1) Where a payment service user—

(a) denies having authorised an executed payment transaction; or

(b) claims that a payment transaction has not been correctly executed,

it is for the payment service provider to prove that the payment transaction was authenticated, accurately recorded, entered in the payment service provider's accounts and not affected by a technical breakdown or some other deficiency in the service provided by the payment service provider."

What the Regulations mean for Mr S's complaint

Monzo has argued that it carried out a chargeback, and that this was optional, and that its obligations were confined to what that card scheme rules say. A chargeback is a process by which settlement disputes are resolved between card issuers and merchants under the relevant card scheme. They're resolved on the basis of the card scheme's rules, not necessarily the relative merits of the dispute.

But what governs disputed transactions is, as I've set out above, the Payment Services Regulations, not chargeback scheme rules. And the Payment Services Regulations clearly set out that it's for the payment service provider – here, Monzo – to prove that the payment transaction was authenticated, accurately recorded, entered in the payment service provider's accounts and not affected by a technical breakdown or some other deficiency in the service provided by the payment service provider.

While I appreciate that a payment service provider can do a chargeback as one way of dealing with a dispute of this nature, that won't always give enough information to satisfy the requirements of the Payment Services Regulations. In terms of our investigation, it's for Monzo to provide more information here to prove that the transaction was correctly carried out. For example, Monzo hasn't shown that the machine wasn't affected by technical issues or deficiencies. So I find that Monzo hasn't satisfied its obligations under the Payment Services Regulations 2017.

This is a key factor in determining whether Mr S's complaint succeeds. But I've also looked at other factors.

Mr S initially told Monzo, and told this service, that he had attempted the withdrawals on his account. But I saw that, in the chat between Monzo and Mr S on 21 July, Mr S had said that it had been a friend who had carried out the attempted withdrawals on Mr S's account – not Mr S himself. I've quoted this above. So I asked Mr S for clarification of this, pointing out that it was inconsistent with his previous testimony to Monzo and to our investigator. I asked what had happened on 30 May, as it now appeared that Mr S hadn't been at the cash machine when the disputed transaction had been made. I asked who had been there, and if it wasn't Mr S, what was his friend's recollection.

Mr S replied that his friend had transferred £300 to his account as he didn't have a card to make withdrawals. Mr S then said *"we were both present at the ATM and two attempts were made to withdraw the funds."* He continued *"If I remember rightly, I had gone inside the petrol station to pay for fuel, I gave him my card to make the withdrawal as I queued, however I was back out and with him whilst both attempts to withdraw the money were made."*

So at first, Mr S told Monzo he'd attempted the withdrawals on 30 May. He then said in the chat on 21 July that they'd been attempted by his friend and *"he confirms categorically that he actually only tried once."* When he referred his complaint to this service, he told our investigator that he'd attempted them – with no mention of a third party. And when challenged about the chat evidence, he provided a different version, saying they'd both been present. This conflicts with saying he'd asked his friend who had said categorically that he'd only tried once – because if Mr S had been present as he says, he wouldn't have needed to ask his friend. And there's conflicting evidence about whether Mr S and his friend say the withdrawal(s) were attempted once or twice. And Mr S also said he'd gone into the petrol station to pay for fuel but had left his card – which he'd presumably have needed to pay for petrol – with his friend for him to make withdrawals.

These variations cast some doubt on Mr S's account of what happened. But ultimately, they don't make me think that it'd be fair and reasonable for Monzo to hold him liable for the transaction here. Mr S is suggesting that his friend was making the transaction with his authority. So in considering the regulations, the circumstances here aren't much different to Mr C making the transaction himself.

Mr S then disputed that the money was dispensed and the relevant regulations are clear about what Monzo needs to evidence to be able to hold Mr S liable for the transaction. It hasn't done that, and so I uphold Mr S's complaint. I also award £100 compensation for the distress and inconvenience Mr S suffered as a result of Monzo's failures.

My final decision

My final decision is that I uphold this complaint and I order Monzo Bank Limited to pay Mr S:

- £250 to refund the disputed cash machine withdrawal; and
- Interest on £250 at 8% from 30 May 2021 to the date of payment; and
- £100 compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 9 August 2022.

Belinda Knight
Ombudsman