

The complaint

Mr B complains that Monzo Bank Ltd allowed several transactions to be made through his account that he didn't recognise causing him to enter an unauthorised overdraft.

What happened

Mr B hired a car from a merchant I'll refer to as P and agreed to certain terms when he signed the hire contract. During the hire period the vehicle was stolen for several days before being recovered. Sometime later, Mr B noticed that P tried to take a large payment from his account, but this was unsuccessful. Soon after the failed attempt, P again tried to take the payment and this time they were successful. The additional charges appeared to be related to costs associated with the hire and theft of the vehicle whilst Mr B was using it.

Mr B notified Monzo about it and couldn't understand how he now had a large unarranged overdraft when he hadn't authorised P to take such a large payment. Monzo explained that P were able to take such payments because they relied on a contract that Mr B had signed, and P could process transactions even though there were insufficient funds available in the account. Mr B asked Monzo to block his card from any future attempts by P to take payments but some smaller transactions still went through. Monzo explained that they were again unable to stop these as they related to the original authorisation signed by Mr B.

Monzo advised Mr B to approach P directly and told him that if he failed, they could dispute the transaction on his behalf, but would need specific evidence before they did this. Mr B told Monzo that he'd gone back to P but hadn't had any information, nor had he received any invoice concerning these additional charges.

Monzo delayed any charges or interest on the account for a number of weeks to assist Mr B. Monzo later asked Mr B to settle the outstanding debt and if it wasn't paid, the account would be defaulted. The account was eventually closed due to the outstanding debt on the account. Whilst in the unarranged overdraft Mr B received several payments in error which weren't connected to P, and asked Monzo to return them to the original accounts. Due to the outstanding debt, there was a delay whilst Monzo worked out if they could return the funds because the account was in debit. Eventually Monzo arranged for these funds to be returned to the original accounts.

Mr B complained to Monzo about how they'd handled his situation and they re-looked into his situation. Monzo accepted they could have provided better service but didn't think they'd done anything wrong concerning the transactions made by P. Monzo offered £25 compensation, although they later suggested to the Financial Ombudsman that this should be increased to £100.

Several months after the large payment was taken from his account, Mr B received a partial refund from P.

Mr B was unhappy with how Monzo had dealt with his complaint and brought it to the Financial Ombudsman for an independent review. It was looked into by one of our investigators who asked for evidence from both parties. Monzo provided information

concerning the payments taken by P. Mr B wasn't able to provide anything further concerning his issue with P.

Our investigator thought that Mr B hadn't authorised the transaction because he wasn't given an invoice explaining the costs by P prior to the payment going through his account. They thought this lack of information and the large bill was likely to be beyond what Mr B was reasonably expected to pay. There was no contract available to our investigator at the time the outcome was written, and Mr B's complaint was upheld.

Monzo disagreed with the outcome and asked for a further review. They argued that the transactions were authorised because Mr B had signed a contract with P, and this allowed for further payments to be taken. They explained that they couldn't have challenged the payments because Mr B didn't provide any evidence for them to do so, despite asking him for it, which is required by the rules governing the payment.

I issued a provisional decision where I said:

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

I asked Mr B to provide any evidence he had concerning the contract with P. He was able to send in a copy of an agreement which is titled "Rental agreement at rental end" and dated about a week after the payment was taken from his account. I asked for additional evidence concerning the theft and correspondence with P, but I've yet to see anything further. I would expect such an event (car theft) to have produced some correspondence between Mr B and P.

When Mr B first arranged to take the car, he signed a contract which gave P permission to take payments from whichever payment method Mr P used, which in this case was his Monzo debit card. On the face of it, Mr P had his hire car stolen and it seems as though damage was caused to it – likely by the thieves. What isn't known are the circumstances of the theft and that's relevant because under certain conditions, the contract has a limit to what P can charge for such things like theft and damage. There are certain circumstances where these amounts can be increased depending on what happened and that's why I asked Mr B for information concerning the theft.

When the payment was presented to Monzo it was initially rejected but was successful the second time. Monzo have explained that they're unable to prevent these types of "offline" transactions due to how the card system they belong to works. Monzo went on to explain that the additional transactions that went through the account after Mr B had asked for his card to be blocked were all related to authorisations made prior to the card block and they were again unable to prevent these. Other payment requests from P were blocked because they were new requests not related to earlier authorisations.

When Mr B signed the contract, he was in effect, providing authorisation for payments to be taken from his account in line with the agreement. So, I think that Monzo had the appropriate authorisation from Mr B when P presented their transaction to them and due to the "offline" nature of the payment, this took Mr B into an unarranged overdraft. Mr B has argued that he didn't authorise this payment, but the contract he signed with P allows for additional charges to be applied to the account once the rental is finished. P applied those charges to Mr B's card at the end of the rental which included charges related to damage and the theft.

When Mr B approached Monzo about the transaction, he asked for a full refund of the charges. But, presumably Mr B was expecting some form of additional charges to be applied to his account because the rental had finished, and his car had been stolen. It seems

reasonable to think that other charges would have been due because of this. I appreciate Mr B didn't have paperwork when he first went to Monzo, but I don't think Monzo could have considered refunding Mr B without further information. In the chat logs, Mr B told Monzo on 02/08/20 that he still didn't have any paperwork from P, although he was later able to supply a copy of the final invoice which was dated 24/07/20.

Because the transactions used Mr B's debit card using the Mastercard network, they could be challenged using a process called "Chargeback". Monzo explained this to Mr B when he first contacted them and reminded him about this later. Chargebacks follow strict rules and time limits, they also require each party to provide evidence to support their respective cases. They're not a right, but we would expect a bank to mount a chargeback where there was a reasonable chance of success and they'd been supplied with the appropriate information with which to do so. Here, Monzo gave Mr B information about how he could challenge the transaction but were never provided with any information within the timeframes allowed by Mastercard. So, I don't think Monzo's approach to the issue of Chargebacks was unreasonable, as they couldn't mount one without information from Mr B.

Consideration was given by our investigator of the requirement of the Payment Service Regulations 2017 (PSRs) specifically section 79 which deals with refunds for transactions initiated by the payee (P). This says that the payer (Mr B) is entitled to a full refund if certain conditions can be met. The relevant part here is:

(b) the amount of the payment transaction exceeded the amount that the payer could reasonably have expected taking into account the payer's previous spending pattern, the conditions of the framework contract and the circumstances of the case.

Essentially this section provides protection for the payer in cases where they've preauthorised a payment and the resulting payment is more than they could have been reasonably expected to pay. Monzo have argued that because there was a theft of the vehicle and probable damage, it's not possible to determine the charges that P could make.

So, the question here is was the payment to P reasonable in the circumstances? It was known the car had been stolen and in such cases there's often damage caused, so I don't think the actual amount requested was particularly unreasonable. The difficulty faced by Monzo was that they had no specific information on which to decide if Mr B's request met these conditions. As I've already mentioned, it's likely that additional charges would be forthcoming, so I think Mr B's request for a full refund wasn't representative of the circumstances. But, when he provided a copy of the invoice, there does appear to be a restriction on the amount of money P could take due to theft/damage excesses. P later provided a substantial refund to Mr B's account.

I think it's likely that a Chargeback could have simplified the situation as that would have put the onus on P to supply information about their charges – but as I've already mentioned, I don't think Monzo could have made a request because they weren't provided with the relevant information by Mr B. So, whilst it's now apparent that P overcharged Mr B (because they subsequently made a refund to him), I don't think Monzo could have determined that at the time. Monzo were acting on the authorisation provided by Mr B when he signed a contract with P.

Overdraft

The result of the charge by P put Mr B into an unarranged overdraft and this caused Mr B some financial difficulties. Monzo gave Mr B a few months without additional charges for this unarranged overdraft and then asked for the full amount to be repaid. Monzo explained to Mr B the impact of not paying his outstanding overdraft and offered additional support. Mr B

stopped responding to Monzo and the account was eventually closed. I don't think Monzo had to do anymore at this stage – they'd told Mr B what was happening and the likely impact on him and offered additional support.

Returned funds

Mr B received payments into his account which he told Monzo were by mistake and to return them to the original sender's account. This presented Monzo with some difficulties, that's because there was now a debt on the account from the overdraft. Monzo were eventually able to return the funds to the senders account and I don't intend to add anything further about this aspect of the complaint.

Account closure

Both banks and consumers have a choice with who they bank with and Monzo decided they didn't want to continue to offer services to Mr B on this account. Monzo eventually closed the account after it defaulted due to lack of payment of the outstanding debt. I don't think this was unreasonable considering Monzo had notified Mr B about this. I currently don't intend to ask them to do anything further about this.

Customer Service

Monzo did recognise that they could have been clearer with their messages to Mr B and initially offered £25. They've subsequently suggested that a payment of £100 is more appropriate and I agree. I'm not currently intending to increase this amount – whilst I think that Monzo could have dealt with Mr B with more clarity, I don't think it ultimately would have changed the outcome. Monzo were clear about what they could do about the disputed transaction and because they never received any evidence about it – they were unable to challenge it on Mr B's behalf.

Overall, the situation Mr B complained about was complicated, resulting in a large payment made to P. P also took several other payments from Mr B's account which appear to relate to other outstanding contracts. Monzo blocked any new attempts by P but were unable to prevent preauthorised payments to be taken. Mr B asked for a full refund which I don't think was reasonable in the circumstances. It does appear that he was overcharged by P, but taking the various charges applied to his account and the refund, Mr B would still have entered an unarranged overdraft, albeit for a lower amount.

In my provisional decision I didn't uphold Mr B's substantive complaint about the charges, but I did uphold the increase in the payment to £100 for the customer service provided to Mr B. I invited Mr B and Monzo to give me any more evidence and information they wanted me to consider before issuing my final decision. Both Monzo and Mr B accepted the provisional 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.

Having done so, and as both parties accepted my provisional decision, I see no reason to reach a different conclusion. So, this final decision confirms the findings set out in my provisional decision.

Putting things right

I do not uphold Mr B's substantive complaint about the charges applied to his account, but I do uphold the increase of £100 to recognise the poor customer service he received.

My final decision

I uphold, in part, Mr B's complaint. Monzo Bank Ltd are instructed to pay Mr B a total of £100 as set out above. For the avoidance of doubt, I do not uphold the complaint concerning the charges applied to Mr B's account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 15 August 2022.

David Perry
Ombudsman