

The complaint

T is unhappy that Monzo Bank Ltd won't refund transactions it didn't make.

T's sole director at the relevant time was Mr I, who I've referred to throughout the decision.

What happened

T received an email from someone purporting to be its website builder and host – it said it couldn't process its payment and that to reactivate its account it needed to update its payment details.

Mr I followed the link and provided card details. He's said these pre-populated with T's Monzo card details, as these were saved on his phone. He's acknowledged that he received a message to add a card to Apple Pay, which he approved.

Shortly after, four debit card transactions left T's account totalling £2,455.62. Monzo declined to refund these, saying Mr I failed with gross negligence to comply with the terms of the account and to keep T's personal security details safe. Unhappy with this response, T brought its complaint to our service.

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, I've reached the same outcome as our investigator for these reasons:

- Monzo accepted these are unauthorised transactions. However, in line with the Payment Services Regulations 2017, it refused to refund them because it asserts that Mr I failed with gross negligence to comply with the terms of the account and keep T's personalised security details safe.
- In saying this, Monzo point out that Mr I should've been suspicious of the email he received – it said the email address wasn't convincing. But I note that on Mr I's device, the email appeared to come from T's website host. It seems you had to click further to bring up the actual email address. So I can see how he was persuaded by it at the time.
- Monzo also said Mr I should've logged in from his host's website directly. I'm mindful that it's easy with hindsight to critically reflect on how things could have happened differently. So here, while this is something Mr I could have done, I don't think he was *significantly* careless because he didn't. Mr I's explained why he responded to the email – he'd a card that was expiring that he'd received notifications about elsewhere, and he'd important promotions running that he worried would be affected if he didn't act. This isn't a perfect explanation – as Monzo point out, it's not clear the card for T's website payment had expired. But I'm satisfied it remains a credible and plausible explanation for why Mr I took the steps he did *in the moment*. I don't think it

meant he fell *so far below* what a reasonable person would've done that he failed with *gross negligence*.

- Monzo also submitted that Mr I was grossly negligent in responding to a message on his phone – this was a screen that said “*Finish adding your card to Apple Pay*”. Mr I would've clicked “*Add card*” followed by T's PIN on the next screen. Monzo point out this was unprompted and that both T and Mr I personally had set up Apple Pay in the past – so were familiar with how it worked and what could happen with an unauthorised token.
- I've considered this alongside Mr I's explanation for what happened: he said he'd Apple Pay with his other card that was expiring, so when it came up, he thought he'd replace it with the Monzo one.
- I accept Mr I could've questioned why it came up when he hadn't requested it – indeed, he perhaps ought reasonably to have done. But I have also considered that Mr I didn't appreciate this was adding Apple Pay to someone else's device – and there's nothing from Monzo's process that would've obviously alerted him to that. I can also see how, in the moment, Mr I didn't put this all together – that the email was a phishing exercise and this was the next step to steal T's money. I'm further mindful of the few steps needed and how quickly this would've happened – this wasn't a long drawn out process that gave Mr I much pause for thought.
- Having considered this carefully, I don't think Mr I's actions meant he *seriously* disregarded an *obvious* risk. It follows that I'm not persuaded that he failed with *gross negligence* – so I conclude T isn't liable for the disputed transactions.
- To put things right, Monzo should refund T's losses from these unauthorised transactions alongside interest to compensate T for the time it's been out of pocket.

My final decision

For the reasons I've explained, I uphold T's complaint. Monzo Bank Ltd must:

- Pay T the total of the unauthorised transactions, less anything recovered (I understand this is £2,455.62).
- Pay 8% simple interest per year on this amount, from the date of the unauthorised transactions to the date of settlement (less any tax lawfully deductible).

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 6 December 2022.

Emma Szkolar
Ombudsman