

## The complaint

Mr P is unhappy Monzo Bank Ltd won't refund transactions he didn't make.

## What happened

The details of this complaint are well known to both parties, so I won't repeat them again here. The facts are not in dispute, so I'll focus on giving the reasons for my 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, I agree with the outcome reached by our investigator for these reasons:

- Monzo accepted these were unauthorised transactions. However, in line with the Payment Services Regulations 2017, it refused to refund them because it asserts Mr P failed with gross negligence to comply with the terms of the account and keep his personalised security details safe.
- Having considered the circumstances carefully, I'm not persuaded Mr P failed with gross negligence. I'll explain why.
- While the call came from 'No Caller ID', Mr P said they knew his name and the last four digits of his card number. So I can see why he believed they were genuinely from Monzo's fraud team – I think lots of people would've done. I'm also mindful that most people don't hear from their bank's genuine fraud team regularly – in order to know or question how the number would appear on their phone.
- Mr P said he was told they'd stopped fraudulent Direct Debits, but three payments had been made using Apple Pay on a fraudster's device. So they'd unlink this and he'd need to add Apple Pay again on his own device. Mr P said he was reassured he received a message from Monzo when they told him to expect it – at the time, he thought only Monzo's staff could've done that.
- Given Mr P's trust in the caller, the plausible explanation given and the timing of Monzo's genuine message, I understand why Mr P followed the steps to set up Apple Pay. I note Monzo hasn't shown us evidence to show that the steps clearly warned him that he was in fact setting it up on a different device (which is how the unauthorised transactions were made). It follows that I don't think Mr P acted with *very significant* carelessness to say he failed with *gross* negligence.
- Monzo has also highlighted that Mr P was grossly negligent for believing he'd need to apply for an interest free loan – to cover his overdraft costs while they reversed the 'fraudulent' transactions with the merchant. But the test I'm considering is whether Mr P failed with gross negligence *to keep his personalised security details safe or comply with the terms of the account*. And I've not been persuaded that applying for

a loan in the app meant he didn't keep his personalised security details safe or was in breach of Monzo's terms. Instead, this was merely a ruse so he'd more funds available – they'd already the means to make, and indeed had made, payments.

- Either way, while I acknowledge Mr P regrets his actions now, I do understand why he believed them in the moment. Particularly when they framed it as a way to help over Christmas and how, at that point, he would've been able to corroborate the payments in the app with the fraudulent payments they spoke about.
- Taking this all into account, I don't think Mr P's actions fell *so far below* what a reasonable person would've done that he failed with gross negligence. So I conclude that he isn't liable for the transactions and Monzo needs to put things right.

### **Putting things right**

- Monzo ought to have refunded all the unauthorised transactions much sooner (by the end of the next working day at the latest). Had it done so, I'm persuaded that Mr P would've cancelled and repaid the loan he'd taken out under false pretences.
- To put this right, Monzo should remove all interest, fees and charges from the loan, leaving only the amount lent.
- From this, Monzo must deduct all repayments Mr P has made towards the loan, as well as the outstanding losses from the unauthorised transactions. Given the current balance on the loan, this should leave Mr P in credit.
- This credit amount should be paid to Mr P alongside 8% simple interest per year from the date of the unauthorised transactions to the date of settlement (less any tax lawfully deductible).
- Monzo must also correct Mr P's credit file, to reflect that the loan would've been cancelled straightaway.

### **My final decision**

For the reasons I've explained, I uphold Mr P's complaint. Monzo Bank Ltd must put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 3 March 2023.

Emma Szkolar  
**Ombudsman**