

The complaint

Miss C complains that Monzo Bank Ltd (Monzo) won't refund a transaction on her account which she didn't make.

What happened

The details of this complaint are well known to both parties. So rather than repeat them all again here, I'll briefly summarise the key points.

Miss C has explained that she fell victim to a scam. First, she received a text saying she had missed a delivery and needed to click a link, seemingly from the post office, to rearrange this. She thought this was legitimate as she was expecting a parcel at the time. She clicked the link and, as prompted, provided personal information including her card details.

The next day, she received a call from someone claiming to be from Monzo. They said there had been a suspicious payment on her card. When Miss C said she couldn't see this on her app, they said this was because they had frozen it to check if she had requested it.

The caller said a security message would appear on Miss C's app, and she would need to enter her PIN to confirm the suspicious payment attempt had been fraudulent. After she did this, the caller hung up. Miss C then checked her account and saw a £720 payment to 'Coinbase' had left her account.

Miss C reported the scam to Monzo but it wouldn't refund her. It said she had not taken enough steps to keep her details safe. Unhappy with this response, she referred the matter to our service.

Our investigator concluded that Miss C hadn't authorised the payment. And they didn't think she had failed *with gross negligence or intent* to keep her security details safe. They recommended that Monzo should refund the transaction, with interest, and pay Miss C £100 compensation for the worry caused by failing to refund her sooner.

As Monzo didn't accept the investigator's recommendation, the matter has been passed to me to decide.

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 conclusions reached by the investigator for these reasons:

- In line with the Payment Services Regulations 2017 (PSRs), Miss C isn't liable for payments she didn't authorise, unless she failed with gross negligence or intent to comply with the terms of the account or keep her personalised security details safe.
- The PSRs specify that authorisation depends on whether the payment transactions

were authenticated correctly – and whether the account holder consented to them. It's not in dispute that the payment was properly authenticated.

- The PSRs go on to state how consent is given. Briefly (I'll cover this in more detail below), consent happens when Miss C makes the agreed steps to make a payment. Or if someone else acts on her behalf and uses these agreed steps.
- It's my understanding that, in order to make this payment to Coinbase, Miss C's card details (such as the card number, expiry date and CVV) and the payment amount would have been entered on Coinbase's website. Then the PIN was entered on her app.
- I'm persuaded it wasn't Miss C who entered the card details to start the transaction. Monzo hasn't disputed this. We have a credible explanation, supported by the screenshot of the text and call, for how a scammer obtained these details the previous day.
- Monzo argues that, in line with its terms, Miss C consented to the payment by entering her PIN in the app. But she didn't do this with the understanding she was *consenting* to a payment. Rather, she thought this would block a fraudulent payment attempt.
- Furthermore, the PSRs set out that a payment is regarded to be authorised if the payer has given consent to the execution of the payment transaction. That consent must be given in the form, and in accordance with the procedure, agreed between the payer and its payment service provider.
- As Monzo's terms allude to, entering your PIN alone isn't enough to execute a payment. Further steps, such as entering the card details, are needed. As set out above, I don't think Miss C completed these earlier steps. Nor did she enter the PIN with the intention or understanding that she was authorising a payment.
- As Miss C didn't complete all the steps to make this payment, nor did she consent for someone else to do so, the payment is unauthorised.
- I don't find that Miss C *intentionally* failed to keep her account or security details safe. She shared her card details as she thought she needed to do so to rearrange the delivery of a parcel she was expecting. And she only entered her PIN thinking this would *stop* a fraudulent payment; this wasn't disclosed to the scammers.
- I don't find that Miss C failed with *gross* negligence either. The link in the initial text did refer to the post office. And in the context of Miss C expecting a parcel, I don't think she seriously disregarded an obvious risk by clicking the link and providing the details requested.
- The scammer was then able to use these details to more convincingly pose as Monzo when they called Miss C. She's told us she was persuaded by the personal details they knew. And she did question them about why she couldn't see the fraudulent payment they were referring to – but was persuaded by their explanation for this.
- In the context of being concerned that her account was risk, I can see why Miss C trusted the caller and followed their instructions. We know scammers use pressure and social engineering to persuade people. They had primed her to see entering her PIN as a necessary administrative step to secure her account.

- Monzo has pointed out that the call wasn't from an official number and only lasted five minutes. But given the circumstances I've outlined above, I can see why Miss C thought she was following instructions from her bank to protect her account. I don't think she was alert to an obvious risk she was in fact making a payment or otherwise putting her account at risk. Or that she acted with a *very significant degree* of carelessness.
- I therefore find that Miss C isn't liable for this payment. In line with its obligations under the PSRs, Monzo should have promptly refunded her when she reported what had happened. Its failure to do so unnecessarily caused her additional worry and upset. To address this, I consider it fair for Monzo to pay her £100 compensation.

Putting things right

To put things right, Monzo Bank Ltd must:

- Refund Miss C for the unauthorised transaction of £720;
- Pay 8% simple interest on this amount, from the date of the unauthorised payment to the date of settlement (less any tax lawfully deductible), to compensate her for the loss of use of the funds; and
- Pay Miss C £100 compensation for her distress and inconvenience

My final decision

For the reasons I've explained, I uphold this complaint. I direct Monzo Bank Ltd to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 28 February 2023.

Rachel Loughlin
Ombudsman