

The complaint

Mr T complained because Monzo Bank Limited:-

- refused to refund him for transactions which he said he didn't authorise, and
- closed his account.

What happened

Mr T said that on 17 August 2022, he came out of a concert and his wallet was stolen in the crowds. It contained his Monzo card and other bank cards. Mr T received got notifications that money was being taken out of his accounts, and he said he also realised his SIM card had been taken out of his phone and the empty phone had been returned to him.

The next day, Mr T contacted Monzo. He had a joint account as well as an individual account, but this decision is about his individual account. On his individual account, there had been an approved overdraft request for £2,000 on 17 August, which Mr T said he hadn't applied for. There had then been multiple debits, totalling £1,904.70, which Mr T said he hadn't authorised. Mr T said he thought someone must have seen his PIN when he was taking out a genuine cash withdrawal.

Monzo investigated, but it didn't uphold Mr T's claim. On 29 August, Monzo told Mr T by chat that it couldn't treat this as fraudulent. It said this was based on the data Monzo had available, and the timeline of transactions suggested it hadn't been possible for these transactions to have been authorised by anyone else. Monzo also told Mr T that it was closing his account the following day. It said it would be in touch to discuss repayment options for the outstanding balance on the account.

Mr T complained, but in Monzo's final response letter on 7 September, it confirmed what its specialist fraud team had said, and also confirmed that Mr T's account had been closed.

Mr T wasn't satisfied and complained to this service. He said that unlike the other banks to whom he'd reported fraud the same day, Monzo had decided there hadn't been a fraud and couldn't refund him. He said he'd never applied for an overdraft. And he wasn't happy because Monzo had closed his account immediately without an explanation. He said he'd had direct debits due to come out, which he'd had to sort out with utility and insurance providers. He said Monzo's treatment of him was a disgrace, and he wanted an acknowledgement that there had been fraud, and a refund of the money.

Our investigator didn't uphold Mr T's complaint. He said he found it unlikely that someone could have stolen Mr T's phone and wallet, removed the SIM and then returned the phone without being detected. The investigator also pointed out that six of the payments had been made using Mr T's PIN. And he explained why the overdraft request could only have come from Mr T's phone. The investigator also pointed out that the computer evidence had shown that the fraud form which Mr T sent to Monzo had been sent from a different IP address location to the one which Mr T had said he'd sent it from. So the investigator thought that both the overdraft and payments were authorised by Mr T.

Mr T didn't agree. He said it made no sense that he'd have decided after coming out of a concert, to take out an overdraft and withdraw thousands of pounds. He said he'd been a victim of targeted crime, in the middle of a cost of living crisis. He said he hadn't given out his PIN to random passers-by and maybe they'd seen him using it beforehand, but he had no idea. Mr T 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 which govern disputed transactions. The relevant regulations for disputed transactions taking place in August 2022 are the Payment Services Regulations 2017. These say that the payment service provider (here, Monzo) must show the transaction was authenticated. That's the technical part, and here, Monzo has provided the technical evidence which shows that the disputed payments were authenticated.

The regulations also say that it's necessary to look at whether the card holder authorised the payments. In general terms, the bank is liable if the customer didn't authorise the payments, and the customer is liable if they did authorise them. The regulations also say that account holders can still be liable for unauthorised payments under certain circumstances – for example if they've failed to keep their details secure to such an extent that it can be termed "*gross negligence*." So I've gone on to consider whether I think it's more likely than not that Mr T authorised the disputed payments.

Who authorised the disputed transactions?

I don't find it credible that any third party fraudster would have stolen Mr T's phone, removed the SIM from inside, and then returned the phone to him without his knowledge.

And Monzo told our investigator that if this had genuinely happened, and someone had tried to use the SIM in a different phone, they'd have had to provide video verification to add a new device. The device ID would also have been different from what's on the computer records.

When asked about his PIN, Mr T said that he hadn't disclosed it to anyone, but thought someone might have seen him enter his PIN when withdrawing cash that evening. If that was the case, Mr T couldn't have shielded his PIN from sight. And it's unlikely that any third party fraudster would have been able to guess the correct PIN because there are 10,000 possible combinations of a four-digit PIN.

In view of these factors, I consider it's most likely that it was Mr T who authorised the overdraft himself, and then spent up to that limit using the transactions which he then disputed. So I don't require Monzo to refund Mr T.

Account closure

In Monzo's final response letter, it told Mr T that it had the power to close his account in line with the terms and conditions of his account. Mr T would have signed up to these when he opened the account, and I've checked what they say.

The terms and conditions say that Mr T could close the account at any time. They also say that Monzo could close Mr T's account by giving him at least two months' notice. They go on

to set out seven situations where Monzo could close Mr T's account immediately. Having looked at these, I consider that Monzo acted within the terms and conditions of the account when it closed his account immediately. So I find that Monzo acted fairly and reasonably when it closed Mr T's account, in all the circumstances of this case.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 26 January 2023.

Belinda Knight
Ombudsman