

## **The complaint**

Miss Y complains that Monzo Bank Ltd (“Monzo”) won’t reimburse payments sent from her account which she didn’t authorise.

## **What happened**

The full details of this complaint are well known to both parties, so I won’t repeat them again here. Instead, I’ll recap the key points and focus on giving my reasons for my decision.

- Miss Y was looking to sell an item through an online marketplace. She received a notification from what she thought was its online chat service, telling her that someone had purchased her item. Miss Y was told she needed to click on a link to confirm details which would then allow her to receive the payment. She was also told that information would be checked with her bank, and she’d receive a notification on her banking app, but she wouldn’t be charged.
- Miss Y followed the instructions but, rather than receiving the expected payment, £364.05 had left her Monzo account. She queried this with the agent and was advised that this had happened due to a system error following the website crashing. Miss Y was told the money was frozen and she needed to enter the data again to enable all the funds to be received. She followed the instructions and realised a further £364.05 had debited her bank account.
- Miss Y contacted Monzo and realised she’d been scammed. It looked into her claim and said it wouldn’t refund her as she’d consented to the payments by approving them in the app.
- Our investigator concluded that Miss Y didn’t authorise either payment but had acted with gross negligence in relation to the second transaction. They asked Monzo to refund the initial payment, along with interest, and pay £100 compensation for not refunding her sooner.
- Miss Y accepted the investigator’s assessment, but Monzo didn’t.

## **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), broadly speaking, Miss Y isn’t liable for payments she hasn’t authorised, unless she failed with intent or gross negligence to comply with the terms of the account or keep her personalised security details safe. And Miss Y is liable for payments she’s authorised. The PSRs explain that authorisation depends on whether the payment transaction was authenticated correctly and whether the consumer consented to them.

- There doesn't appear to be any dispute over whether the payment transactions were properly authenticated – Miss Y's security credentials were used on both occasions. Thinking about consent next, the PSRs state how consent is given. It must be in the form and in accordance with the procedure agreed between the consumer and the payment service provider (Monzo in this case). In other words, consent is provided when the consumer completes the agreed steps for making a transaction or allows someone else to complete them.
- It is my understanding that Miss Y's card details and other payment information (such as the amount) were entered to initiate the transactions. Then, her PIN was entered on the banking app to complete the transactions. Having considered the available information, I'm not persuaded that it was Miss Y who entered her card details and other payment information to initiate the transactions. She did share her card details on the link the scammer sent her, but she did so with the understanding that these were needed in order to *receive* the payment.
- Monzo argues that Miss Y consented to the payments as she entered her PIN on the app on both occasions. It submits that its terms and conditions, which Miss Y agreed to, set out how a customer can consent to making a payment, and entering the PIN is one of the methods. But Miss Y didn't enter her PIN with the understanding that she was consenting to a payment. Rather, she thought that this was part of the procedure to receive payment for an item she was selling. It's also important to note that entering the PIN alone isn't enough to execute a payment – additional steps, such as entering the card details and payment amount, are needed. And I can see that Monzo's terms appear to acknowledge this (see '*Info the merchant may need to take the payment*').
- Given that I find Miss Y didn't complete all the steps to make the payments or consent to someone else completing them on her behalf, despite Monzo's position on the matter, the payments are unauthorised.
- Miss Y could still be held liable for payments she didn't authorise if she failed with intent or gross negligence to comply with the terms of the account or keep her personalised security details safe. I don't find that Miss Y intentionally failed to keep her account or security details safe. She entered her card details to receive a payment, not realising that this information could be used by the scammer to initiate a payment. And she didn't share her PIN; she entered it into her own banking app.
- In relation to the first payment, I don't find that Miss Y failed with gross negligence either. She was selling an item through a marketplace that she'd not used before. She provided her card details to receive payment for an item she believed she'd sold. The scammer told Miss Y that entering her PIN on the app was part of the payment receipt process. In the context of what Miss Y was told by the scammer, I can see why in that moment she was persuaded to enter her PIN to receive the payment.
- Monzo argues that the app notification clearly set out that the payment was outbound. It has provided a sample screenshot which it says is just like the one Miss Y would have seen. I've carefully reviewed it, but the screenshot makes no reference to the transaction being outbound. And while it displays an amount, it's unclear whether a transaction executed in a different currency (as happened in Miss Y's case) would have shown the amount in that currency or the amount converted in sterling. Miss Y has told us she recalls seeing an amount in a different currency. This might explain why she may not have realised that the transaction

amount was higher than what she was expecting to receive when she entered her PIN. Regardless, I don't think Miss Y's actions in that moment fell so far below what a reasonable person would have done such that I think they amount to gross negligence. And so, Miss Y isn't liable for this transaction, meaning Monzo needs to reimburse her alongside interest to compensate her for the time she's been out of pocket.

- Thinking next about the second payment, the scammer told Miss Y to follow the instructions again as the system had crashed. This time, they instructed her to *make* a payment equal to the amount that had erroneously debited her account. The scammer went as far as to suggest that Miss Y top-up her Monzo account to enable the payment. These were red flags, and they ought reasonably to have given Miss Y cause for concern that her Monzo account was at risk. But she disregarded that obvious risk by proceeding with the scammer's instructions and that led to the money being taken from her account. I find that Miss Y's actions were significantly careless, and so she's liable for this transaction. That means Monzo doesn't need to reimburse her.
- Monzo ought to have reimbursed Miss Y the first transaction much sooner and this caused her inconvenience as she was left without money for a period. Additionally, she's been put through the time and trouble of pursuing this matter and that's caused her to worry about getting her money back. I agree with the investigator that £100 compensation is a fair reflection of the impact of that.

### **Putting things right**

To put things right, Monzo Bank Ltd needs to:

- reimburse Miss Y the first unauthorised payment transaction of £364.05;
- pay 8% simple interest per year on that amount, from the date of the unauthorised transaction to the date of settlement (less any tax lawfully deductible); and
- pay Miss Y £100 compensation for her distress and inconvenience.

### **My final decision**

For the reasons given, my final decision is that I uphold this complaint. I require Monzo Bank Ltd to put things right for Miss Y as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss Y to accept or reject my decision before 2 March 2023.

Gagandeep Singh  
**Ombudsman**