

## **The complaint**

Mr D complains that Monzo Bank Ltd failed to refund transactions he didn't recognise.

## **What happened**

Mr D noticed that a number of transactions had been made from his Monzo account earlier that morning that he didn't recognise. The payments were made using bank transfers, credit payments from a linked "flex" account and card payments using Mr D's payment card. Further, an overdraft was applied for and granted which was used to fund some of those disputed payments.

Mr D said he had trouble accessing his phone and using the Monzo app, so had to change his phone which could then be used to communicate with Monzo about the issue. He told Monzo about the unrecognised payments and sought a refund, explaining to them that he was the sole earner in his family and the loss of his funds, and the overdraft applied for in his name were affecting his financial situation.

Monzo looked into what had happened, although this took some time (Monzo later offered £50 to Mr D for this delay), but eventually declined to refund him. Monzo also advised that some of the original disputed transactions using the card hadn't been collected by the firm they were originally sent to, so they'd been credited back to the account.

Mr D maintained that he wasn't responsible for the disputed transactions and complained to Monzo and the Financial Ombudsman Service about the situation. Once Monzo completed their investigation – they maintained their position and declined to make any refund to Mr D.

An investigator from our service was appointed to independently look into the complaint and asked for evidence from both parties. Mr D repeated his position that he wasn't responsible for the transactions and:

- he hadn't given his phone to anyone else.
- No one else knew the Personal Identification Number (PIN) for his card or account.
- No one else knew the login credentials for his Monzo account.
- Mr D found software on his phone that he believed could be responsible for the takeover of his account.
- Mr D provided information about his phone and the payment for a technician to "clean" it.

Monzo provided details about the transactions and how they were made, including information about the IP addresses used by Mr D's authorised devices that accessed the Monzo account. Statements were also provided of the various accounts held by Mr D with them. Monzo had also thought that Mr D may have been scammed, but Mr D denied this during their investigation, which was why they conducted their enquiries based on Mr D

denying he'd authorised the payments.

After considering the evidence, the investigator didn't think there was sufficient evidence to uphold Mr D's complaint and recommended that Monzo can hold Mr D liable for the debt from his overdraft and the payments made from his account.

Mr D disagreed with the investigator's outcome and continued to argue that his phone had been "hacked" and this was the reason for the disputed transactions.

The investigator acknowledged there were some factors that pointed to unusual activity on Mr D's phone, but there was no explanation for how the PIN (which wasn't stored anywhere or written down) could have been obtained by an unauthorised third party to confirm one of the large payments made using Mr D's payment card.

Mr D asked for a further review of his complaint which has now been passed to me for a 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.

The relevant law surrounding authorisations are the Payment Service Regulations 2017 and the Consumer Credit Act 1974. The basic position is that Monzo can hold Mr D liable for the disputed payments if the evidence suggests that it's more likely than not that he made them or authorised them.

Monzo can only refuse to refund unauthorised payments if it can prove Mr D authorised the transactions, but Monzo cannot say that the use of the card and PIN or the use of online payment details or internet banking conclusively proves that the payments were authorised.

Unless Monzo can show that consent has been given, it has no authority to make the payment or to debit Mr D's account and any such transaction must be regarded as unauthorised. To start with, I've seen the bank's technical evidence for the disputed transactions. It shows that the transactions were authenticated using the payment tools issued to Mr D. I'll now need to consider the information provided by both parties to determine whether there's sufficient evidence to hold Mr D responsible for the disputed transactions or not.

It's Mr D's case that his phone was somehow "hacked" which led to the disputed transactions. Monzo believe that Mr D himself was responsible for the payments made from his account.

Mr D's evidence shows he took his phone to an independent IT expert who carried out a "*full data removal under suspicion of the device being hacked*". It's not possible to determine what was on the device because it was removed on the day of the disputed transaction.

Mr D's evidence is that software was found on it that is often associated with fraud. That software allowed another user to remotely access the phone if given permission by the user of the phone. Mr D was asked whether he'd ever given permission through this software, and he confirmed he didn't know it was on his phone and hadn't authorised anyone to gain access to it.

Whilst there's evidence of Mr D's phone being data cleaned, there isn't anything to say what was on it or whether the software he was told about had anything to do with the disputed transactions he later claimed from Monzo.

Monzo provided details about the phone that was used to make all the disputed transactions. This was the one registered by Mr D and had been used without incident for some time. That phone accessed the Monzo account from an IP address that was in use both before during and after the disputed transactions. IP addresses give information about the device and the network it uses to access the services – such as Monzo’s app. Here the evidence shows that Mr D’s phone was used to access the Monzo app from a consistent IP address, including all the transactions Mr D later disputed.

One of the disputed transactions was for a relatively large amount (over £1000) and this required an extra security step in order to authorise the payment called 3DS. This required the person who was making the payment to enter the PIN known only to Mr D (which he confirmed wasn’t written down). So, it seems unlikely that a third party could have been responsible for this payment because no one else knew the PIN and it’s unlikely it could have been guessed correctly.

I’ve also examined the payments into and out of the account. Whilst it’s fair to say the series of disputed payments were unusual, they only started after the account received a large payment into it. Prior to this, the account had a balance of less than £50. This incoming payment effectively funded a number of the disputed payments (apart from those that used savings, the overdraft and the “flex” credit payments). I think the timing of these payments indicates that whoever made them was aware that those funds had been recently paid into the account.

If Mr D’s phone was “hacked”, I would expect to see conflicting data in the audit information about the phone and its IP address, that wasn’t the case here. What the evidence does show is that Mr D’s genuine phone, using its normal IP address made various transactions using different types of payments, which required the login details to the Monzo app and additional security known only to Mr D.

Based on an objective review of the evidence, I think it’s more likely than not that Mr D was responsible for making these payments and obtaining the overdraft. It was then reasonable for Monzo to hold him liable for the payments and the overdraft.

Monzo accepted that they’d not met their standards of service when Mr D complained. They made a small payment to him to recognise this. I think this was a fair response in the circumstances and I won’t be asking them to do anything further.

## **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 D to accept or reject my decision before 15 May 2023.

David Perry  
**Ombudsman**