

The complaint

Mrs O is unhappy that Monzo Bank Ltd (Monzo) allowed a payment to leave her account

What happened

Mrs O said that she had £40 taken from her bank account by a merchant she had previously used. She was unhappy that the money had been taken and that the bank didn't ask her to verify the payment before it left her account. She believes the merchant has acted fraudulently.

Monzo explained to Mrs O that it hadn't done anything wrong. It said the transaction had been made via manual entry, which it is allowed to process. It also said that as she had previously given her account details to the merchant, it wasn't considered fraud but said that it could raise a good and services dispute, known as a chargeback. It said she would need to provide evidence that she had tried to resolve the dispute with the merchant directly first as cases like this can only be raised once and without evidence of direct contact, it was unlikely to be upheld.

Mrs O was unhappy with this so brought the complaint to us. One of our investigators looked into things but didn't think Monzo had done anything wrong. Mrs O remained unhappy so ask for the case to be passed to an ombudsman so the case was passed to me.

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.

When considering what is fair and reasonable, I'm required to take into account: relevant law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider good industry practice at the relevant time.

Generally speaking, the bank is liable for transactions that are not authorised, and account holders are liable for transactions that are authorised.

As part of my investigation, I needed to determine if Mrs O had consented to the payment instruction. From what I've seen in the case file, it looks like she did consent to the transaction but then later cancelled the appointment. As a result, it looks like the transaction was authorised therefore the bank cannot be held liable.

I can see from the submissions provided by Monzo that the transaction was made via Manual Entry. This means that the merchant manually entered the card details for the payment to go through. Manual Entry payments are often processed when the customer is not present, for example when paying over the phone etc. These payments require no authorisation from the customer as they're processed 'offline' and the full card details must be known by the merchant to process payments in this way. This is something that banks are allowed to process so I am not able to uphold on this point.

A way banks can sometimes try to resolve the issue is by proceeding with a chargeback. However, in this case, Monzo decided not to progress with the chargeback because a requirement for it to succeed, is that the consumer must have attempted to resolve the matter with the merchant first. They provided details of how to do this and then send this proof to Monzo, so it could continue its investigation. I can see from the submissions that Mrs O was reluctant to do this. And without evidence that she had done so, there's no reasonable chance for the chargeback to succeed. I therefore think it was reasonable for Monzo to not attempt a chargeback at this time.

I understand that Mrs O has since contacted the merchant. If she is unhappy with how Monzo continued its investigation after she made it aware of the contact with the merchant, she is free to raise a further complaint. This is classed as a new event, one which Monzo has the right to investigate if it ought to have done something differently. If Mrs O is not happy with its response, she is free to bring the complaint to us for our consideration.

My final decision

I do not uphold this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 5 October 2023.

Sarah Green
Ombudsman