

The complaint

Mr S has complained that Monzo Bank Ltd won't refund the money he lost after falling victim to a scam.

What happened

Both sides are most familiar with the case, so I'll summarise what happened in brief.

In March 2022, Mr S entered his debit card details into a legitimate-seeming website, to buy some electronic goods for about £360. The website owner did not send the goods, but instead used Mr S's card details to make a purchase at Argos for a similar amount. It's recorded that this payment was authorised through Mr S's Monzo app.

Mr S reported the scam, saying he didn't authorise the payment through his app.

Monzo explained they could try a chargeback, but Mr S would need to provide evidence of trying to sort things out with Argos first. They otherwise declined to refund the payment, as they found that Mr S had approved it via his app, so they considered the payment to be authorised. Monzo offered Mr S £20 compensation for customer service issues, which they later increased to £50 in total when the case came to our service.

Our investigator upheld the complaint, arguing that Monzo should refund Mr S because he'd been deceived into making the payment, rendering it unauthorised. Monzo asked for an ombudsman to look at things afresh, so the complaint's been passed to me to decide.

I sent Mr S and Monzo a provisional decision on 19 April 2023, to explain why I didn't think the complaint should be upheld. In that decision, I said:

Mr S fell victim to a convincing scam, and so he has my sympathy. I appreciate this must have been highly frustrating for him, and I appreciate why he feels that his money should be returned. It's worth keeping in mind that it's the scammer who's primarily responsible for what happened, and who really owes Mr S his money back. But I can only consider what Monzo did. Having carefully considered everything that both sides have said and provided so far, I don't currently think I can fairly hold Monzo liable for Mr S's loss. I'll explain why.

I do understand that Mr S does not recall authorising the Argos payment through his app. But I can see from Monzo's technical evidence that the payment was authenticated through a 3DSecure challenge on Mr S's mobile banking app. This challenge was approved using Mr S's PIN, on his registered mobile phone – the only device registered to the account. And it was done at an IP address Mr S used both before and after for his other genuine activity. So I can be reasonably satisfied that Mr S did authorise the disputed payment on his app, rather than the scammer somehow authorising it themselves.

From what I can see, Monzo's 3D Secure challenge would have informed Mr S that the payment was to Argos – and not to the website he'd given his card details to. And it would have given him the amount – which was slightly different to the amount Mr S thought he'd be paying. So I think it would've been apparent what Monzo was asking Mr S to approve or reject. I can understand why Mr S may have authorised the payment by mistake, as he was expecting a payment of around that amount to go out. But I'm afraid that he is still usually liable for the payments he authorises.

Our investigator argued that the payment was unauthorised because Mr S was deceived into approving it. But I'm afraid that our investigator was mistaken. While Mr S would not have intended his money to go to a scammer, under the Payment Services Regulations he is liable for the loss in the first instance, since he ultimately consented to it via his app. And broadly speaking, Monzo had an obligation to follow his instructions – the starting position in law is that banks are expected to process payments that a customer authorises them to make. Again, I'm afraid Mr S is broadly responsible for the payments he authorises.

I've thought carefully about whether Monzo should have flagged or blocked the payment. Monzo should have been on the lookout for payments which could be the result of fraud or scams, to help prevent them. But I also accept that a balance must be struck between identifying and responding to potentially fraudulent payments, and ensuring there's minimal disruption to legitimate payments. In this case, I don't think this payment was so unusual or out of character that Monzo needed to intervene. For example, it was just the one payment rather than rapid multiple payments, it was not nearly large enough that I'd expect the amount to be flagged, and it went to a well-established merchant who Mr S had used before.

Next, I've considered what Monzo did to try to recover Mr S's money after he told them about the scam. While there are methods for trying to recover funds lost to scams, they generally only apply to certain types of payments, like bank transfers – but they don't apply to card payments. And this payment was made by debit card. So Monzo were limited in what they could do to help.

Monzo did consider making a chargeback, which was the most appropriate way to try to get Mr S's money back. I should explain that chargebacks are a voluntary process, so Monzo didn't have to raise one – though I'd consider it good practice to do so. And I should also explain that Monzo had to follow the chargeback scheme rules set by MasterCard.

In order to start the chargeback, Monzo needed evidence that Mr S had tried to resolve things with Argos first, such as an email chain. I can see they explained this to Mr S a few times. And I'm afraid that since Mr S didn't provide such evidence, it's reasonable that they didn't proceed with the chargeback. I'm afraid it is now too late for Monzo to do so, as too much time has passed.

In any case, I should explain that it's unlikely a chargeback would have succeeded here. Chargebacks can only be made for certain reasons. For example, if a payment is unauthorised – but here, it was authorised through Mr S's app. Or if the goods are not delivered – but here, it's most likely that Argos did deliver the goods to the address they were told to. There was not a MasterCard chargeback reason which really covered the situation Mr S was in. So even if he had given Monzo evidence that he'd tried to resolve things with Argos, I'm afraid it's most likely that he still would not have got a refund via the chargeback scheme. And there weren't any other routes that Monzo could use to get his money back.

So while I'm very sorry to hear about what happened to Mr S, I don't currently think that I can hold Monzo responsible for his loss. And so I can't fairly tell Monzo to refund Mr S's money in this case.

Lastly, I've thought about the overall service Monzo provided to Mr S. They've accepted that they initially handled his query incorrectly, and that they should have registered his complaint a bit earlier. I also appreciate that Mr S felt frustrated at having to deal with different agents. When it comes to compensation, it's worth bearing in mind that we're not here to issue fines or to punish businesses, and that pursuing a complaint will never be completely hassle-free. And in this case, while I can appreciate that the customer service issues may have caused Mr S some frustration, I've found that Monzo dealt with the issue at hand correctly overall. Taking everything into account, I think Monzo's offer of £50 compensation in total is fair for the upset caused by their customer service issues.

I said I'd consider anything else anyone wanted to give me – so long as I received it by 17 May 2023. Monzo accepted the provisional decision. Mr S didn't respond.

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.

Neither side have sent me any new evidence or arguments. So having reconsidered the case, I've come to the same conclusion as before, and for the same reasons as set out in my provisional decision above.

My final decision

For the reasons set out above, I do not award a refund in this case. Monzo Bank Ltd should pay Mr S the £50 compensation they offered, if they've not done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 15 June 2023.

Adam Charles
Ombudsman