DRN-4141760

The complaint

Mr E has complained that Monzo Bank Ltd unreasonable refused to refund him three payments he didn't recognise on his bank account.

What happened

Mr E was away for the weekend. He said on Tuesday 20 September 2022 he logged into his phone and his Monzo banking app and found there were three payments made on Sunday 18 September totalling £321, to a vape merchant which he hadn't done. He said he immediately reported them to Monzo.

Monzo confirmed the only information required to do these transactions was the long card number for Mr E's card plus the CVV on the back of the card. Monzo also showed the IP address for these transactions originated in Holland.

Monzo said that because Mr E's account had received a transfer of £300 shortly before these disputed transactions, this meant the transactions were facilitated. And Mr E would have received notifications on his phone for each of the transactions. It later said Mr E would have had to approve each transaction.

Mr E said he away for the weekend for an anniversary with his girlfriend. He was in bed on the night the transactions were done, and he had switched off his phone notifications. Therefore, he didn't approve any of transactions. Further his father transfers money into his account on regular basis. So, the transfers of £300 or thereabouts is a regular transaction on his account and were not to facilitate these disputed transactions. Mr E also confirmed he does not vape.

Given Monzo refused to uphold his complaint, Mr E brought his complaint to us. The investigator was also of the view his complaint shouldn't be upheld.

As Mr E didn't agree his complaint was passed to me to decide.

I issued a provisional decision on 18 May and I said the following:

> *'The rules which govern these transactions are in the Payment Services Regulations (PSR's). Monzo is required to refund any authorised payments.*
>
> *First it is clear from Mr E's bank statements that Mr E was away in another city in the UK at the time the transactions occurred. He was not in Holland. The time of these three transactions were all between 9.30pm and 10pm from an IP address in Holland.*
>
> *Monzo initially said the payments were 'frictionless' merely requiring the card number and the CCV on the back of the card. There is no evidence that Monzo sent any notifications to Mr E's phone for him to approve on his app before the payments were made, and there is no evidence that the payments had to be approved by Mr E in*

order to go through. So, I think Monzo has now confused itself over how these payments were made.

Mr E made contact with the vape merchant who couldn't give him all the relevant information given data protection laws, most especially the delivery address. It is not for this service or indeed Mr E to make contact with merchants in this way it is for Monzo to do, given its duty to investigate such disputed transactions fairly and properly. For some inexplicable reason Monzo refused to do this, I don't find that is reasonable.

Mr E was able to find out his card was used detailing his old address from which he moved around six months before these transactions. But he wasn't permitted the details of the delivery address. Mr E also found that the transactions were left in the basket of the online order system of this merchant for some time too. I consider it would have been beneficial for Monzo to have contacted the merchant based on this information that Mr E found out. Also, Monzo should have done this as a matter of course in its investigations.

Mr E's bank statements show regular payments into his account of £200 or £300 at time. Mr E said he asks his father to do these transfers as required for his daily living expenses. This is how Mr E uses this account. Therefore, I consider it's not at all relevant that Mr E's account was running low on Sunday 18 September and then received a payment in of £300 which was merely to facilitate these disputed transactions as Monzo believes. Given the usual movement of funds as shown in Mr E's statements, this is normal for Mr E's account. So, it's not appropriate in my view for Monzo to have decided the payment in of £300 was solely to facilitate these disputed transactions.

It seems more than likely the disputed transactions simply required the card details and used a known (albeit former) address for the card. Mr E is adamant no one else had or knew his card details or indeed knew the passcodes for his phone or his banking app with Monzo. Therefore, it's not outside the bounds of possibility that his card details were stolen and used fraudulently.

I don't consider there is enough evidence produced by Monzo to show Mr E authorised, consented to and authenticated these payments as required under the PSR's. More so given its failure to contact the merchant. Therefore, I consider Monzo should now refund these disputed transactions with interest.

I also consider Monzo's approach to its investigations caused Mr E some considerable distress and frustration. More so given the trouble Mr E went to in contacting the merchant who couldn't help as much as it wanted to, given data protection laws. Accordingly, I consider Monzo should now pay Mr E the sum £150 compensation.'

Both parties agreed with my provisional 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.

Having done so again and given the agreement of both parties I see no reason to change my decision.

My final decision

So, for these reasons, it's my final decision that I uphold this complaint.
I now require Monzo Bank Ltd to do the following:

- Refund Mr E the total sum of the disputed transactions in the sum of £351.
- Add simple interest of 8% per year from the date of these transactions to the date of its refund. If income tax is to be deducted from the interest, appropriate documentation should be provided to Mr E for HMRC purposes.
- Pay Mr E the sum of £150 compensation for the distress it caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 23 June 2023.

Rona Doyle
Ombudsman