

The complaint

Mr S has complained that Monzo Bank Ltd (“Monzo”) did not process his chargeback request correctly.

What happened

Mr S paid £200.11 to an overseas merchant on 1 February 2022. However, as Mr S had not received the service he’d paid for, Mr S contacted the merchant and requested that he be refunded the money. As he did not hear back from the merchant, Mr S then contacted Monzo in January 2023 to request that the money he’d paid be returned to him.

Monzo submitted a chargeback request on 12 January 2023 through the debit card provider’s chargeback scheme. Whilst Monzo was waiting for the outcome of its chargeback claim, Monzo temporarily credited Mr S’s account with the £200.11 that he was trying to get back from the merchant. On 31 January 2023, the merchant contacted Mr S and said that it will look into whether it is able to refund him the money and said that a refund will be given within 8 weeks, if applicable.

On 22 March 2023, Monzo was informed by the card scheme that Mr S’s chargeback claim had been unsuccessful and explained this to Mr S. Monzo explained that because the chargeback had been unsuccessful, it will remove the £200.11 that it had previously temporarily refunded to Mr S, in 14 days. Monzo subsequently took £200.11 from Mr S’s account on 5 April 2023, resulting in Mr S’s account entering into an unarranged overdraft.

On 1 April 2023, the Merchant confirmed to Mr S that a refund was initiated on 17 February 2023, but explained that it can take up to six months for the refund to be made. I understand the refund was made by the merchant to Mr S by 5 April 2023.

Mr S contacted Monzo to say that he was in financial difficulties due to Monzo taking the £200.11 from his account. On 28 April 2023 Monzo agreed to pay Mr S £4.21, to cover overdraft interest Mr S was due to be charged and agreed to freeze Mr S’s unarranged overdraft until 26 June 2023.

Mr S raised a complaint, and in response Monzo explained that Mr S’s chargeback had been raised for Mr S, but it was the case that the debit card scheme declined his claim. Monzo also acknowledged that although Mr S has provided further evidence since the Chargeback claim, only one claim can be made for a disputed payment. Monzo did acknowledge that it had not responded to Mr S in a timely fashion and so agreed to pay Mr S £30.

Mr S referred his complaint to our service, and one of our adjudicators assessed the complaint. Ultimately, they concluded that Monzo had dealt with the chargeback fairly, and so did not think that Monzo should do anything further in relation to this matter. Mr S disagreed, so the matter was referred for an ombudsman’s 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 considered everything, overall, I don’t think that Monzo needs to do more than what it had already agreed to do to put matters right in this case. I will explain why.

When someone makes a purchase of goods or services using a debit card, and something goes wrong with the purchase, there's no automatic obligation on their bank to provide a refund or other assistance. However, their bank may be able to help by making use of the dispute resolution system administered by the card scheme whose logo appears on the card. This way of claiming a refund is what is normally referred to as a "chargeback". Chargebacks are subject to complex rules which are set by the card scheme. The rules cover various things including the types of dispute which can be dealt with via a chargeback, the evidence required, and the time limits to submit information.

While a consumer cannot insist that their bank attempt a chargeback, I would expect it to consider, when approached by a consumer looking for help with a debit card transaction for goods or services, whether it is able to help by attempting a chargeback. And I would expect it to proceed with a chargeback where to do so would be compliant with the card scheme rules and have a reasonable chance of succeeding.

I would also expect the bank to conduct the chargeback process in a competent way, without making mistakes and subjecting any defence from the other side to the chargeback to an appropriate degree of scrutiny. I would not expect the bank to accept, for example, a defence which did not properly address the dispute in the way the card scheme's rules require, or which was obviously wrong.

In this case, I can see that Monzo submitted a chargeback claim on 12 January 2023, because Mr S had not received what he'd paid for. This was despite him making the payment in February 2022.

When Monzo submitted the chargeback claim to the card scheme, I understand that it did so on the basis that Mr S had not received what he'd paid for – which looks to have been a reasonable basis in which to base the claim on. However, Monzo received a response from the card scheme to say that the claim had been declined – and was provided evidence to indicate that the payment was not eligible for a refund.

Mr S responded to Monzo and said that this was incorrect, and provided evidence to show that a refund was not warranted *only* if the merchant had started to process the application for the service that he'd paid for. Mr S explained that in his case, the merchant had still not processed his application (despite it being submitted nearly a year before) and so he was entitled to a refund according to the Merchant's own terms.

I can see that, between when the chargeback claim was submitted and when Monzo confirmed it had been unsuccessful, Mr S had heard back from the merchant who said that it would be looking into whether a refund was warranted. In the circumstances, given the evidence Mr S had provided, I think Monzo could've perhaps done more to challenge the defended Chargeback.

However, I can't see that Mr S has lost out by this. I say this because firstly, Monzo did give Mr S a temporary refund of £200.11 on 13 January 2023, pending the outcome of the chargeback. Furthermore, I can see that by the time Monzo had reversed the refund on 5 April 2023 - causing his account to enter an unarranged overdraft of £200.11 - Mr S told us that he'd already been refunded £200.11 directly by the merchant. As Mr S said that he'd already been refunded directly from the merchant, it appears that the refund was paid into a different account than the one in question in this complaint.

In an email sent to our service on 5 April 2023, Mr S says that the unarranged overdraft on his account will cause him financial difficulty because his salary was due to be paid into his account on 6 April 2023. However, Mr S had already been refunded the money from the merchant. And the unarranged overdraft was for the same amount as the amount Mr S had been refunded. So Mr S could've resolved matters himself by paying the money he'd been

refunded from the merchant into his Monzo account – which would've cleared the £200.11 unarranged overdraft.

In the circumstances, I don't think it would've been reasonable to expect Monzo to have simply written off the overdrawn balance that was on his account. As that would've resulted in Mr S being refunded twice for the disputed payment, once by Monzo and once by the merchant.

Furthermore, I can see that Monzo credited £4.21 into Mr S's account on 28 April 2023, to cover the unarranged overdraft interest that was charged on 1 May 2023 and agreed to freeze the overdraft interest until 26 June 2023. In the circumstances, I think that Monzo took reasonable steps to give Mr S plenty of time in which to pay the refunded amounts back into his account to rectify the unarranged overdraft.

As such, taking everything into account, although I think that Monzo could've perhaps done more to challenge the defended chargeback claim, I don't think that Mr S lost out financially because of this.

Mr S says he received the disputed amounts as a refund directly from the merchant before Monzo had reversed the temporary refund on his account. And I think the additional actions taken by Monzo i.e. agreeing to pay Mr S £30 for not getting back to him as quickly as it should've; to waive the overdraft interest that was charged on 1 May 2023; and to freeze the charging of overdraft interest on the account until 26 June 2023, was reasonable in the circumstances.

Putting things right

To put matters right, Monzo should pay Mr S £30, if it has not done so already, in full and final settlement of this complaint.

My final decision

Monzo Bank Ltd has already made an offer to pay Mr S £30 to settle the complaint. Because of the reasons given above, I think this offer is fair in the circumstances.

So my decision is that Monzo Bank Ltd should pay £30 to Mr S.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 19 September 2023.

Thomas White
Ombudsman