

The complaint

Mr S complains that Monzo Bank Ltd (“Monzo”) failed to stop payments made to a merchant for gambling or reach out to help despite knowing he had a gambling problem.

What happened

Mr S held an account with Monzo and had activated a gambling block on his account. On 7 July 2022 Mr S complained to Monzo regarding gambling payments he’d made through an online banking payment provider. Monzo explained that as the payments were made by open banking faster payment transfer it couldn’t identify the end recipient of the payments – so couldn’t know the payments were for gambling and block them.

Monzo confirmed this information to Mr S and how gambling blocks work on 9 July 2022. In the message Monzo explained that gambling blocks work by blocking transactions that have been identified by a merchant category code associated with gambling. The codes are assigned by the merchants themselves and sometimes customers are able to complete gambling transactions with companies that haven’t been correctly identified as gambling merchants due to their merchant category codes not being categorized correctly. In cases such as these Monzo wouldn’t have any way of knowing that the transactions were for gambling.

Monzo further explained that to combat this it could add merchants to its gambling block manually if notified about them and that this usually takes effect within two weeks.

Between 28 January and 25 February 2023 Mr S made numerous faster payments totalling £2,170 to a merchant (not categorized as a gambling merchant) from his account with Monzo.

Mr S attempted to raise a complaint regarding these payments to Monzo on 25 February but had difficulties with Monzo’s ID requests. Mr S was also unhappy as he says he asked Monzo to review his previous complaint on numerous occasions but didn’t hear back.

On 27 February Mr S successfully logged a complaint about these issues with Monzo and a manager from Monzo got in touch two days later. Following this Mr S received a message from Monzo on 5 March apologising for the delay in getting back to Mr S and confirming that he would like to block future payments to the merchant in question and that it would put this in place and let him know when this was done.

Despite chasing Mr S didn’t receive an update regarding this or a response to his complaint, he referred the matter to this service. Following this, on 9 May, Monzo issued its final response and confirmed that it had blocked the payments to the merchant, but recognised that there had been delays and it hadn’t responded to all his complaints. It offered Mr S £115 compensation for this but as the payments to the merchant in questions were made by faster payment and not able to be picked up by the gambling block, it would not reimburse Mr S for any of the transactions.

Monzo subsequently increased the offer of compensation to £150.

Our investigator looked at all of this and thought that Monzo had made it clear to Mr S that the gambling block only covers card transactions (not bank transfers) with certain merchant codes and that the block may not work if a company doesn't disclose they're a gambling merchant. They thought Monzo had applied the gambling block fairly in line with its process and as such didn't think Monzo should refund the gambling transactions. They thought the £150 was a fair compensation for the distress and inconvenience caused to Mr S by the delays in dealing with his complaint.

Mr S was dis-satisfied with this. He doesn't believe he has been helped as a vulnerable customer as he was allowed to spend over £2,000 in a month and Monzo didn't reach out or block the transactions to ask if they were suspicious. Mr S wants Monzo to refund 50% of the transactions and has asked 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.

I hope that Mr S won't take it as a discourtesy that I've condensed his complaint in the way that I have. Ours is an informal dispute resolution service, and I've concentrated on what I consider to be the crux of the complaint. Our rules allow me to do that. And as such the focus of my decision will be on whether Monzo should've done more to support Mr S and block the gambling transactions that took place between 28 January and 25 February.

Having considered everything I don't think it was unfair that Monzo didn't do more to stop payments to this merchant for the period in question.

While I wouldn't tell Monzo what tools it needs to have in place to support customers with a gambling addiction, I would expect it to utilize the tools it does have and make the customer aware of what it can do to assist.

Nothing is fool proof and in Mr S's case, Monzo made him aware of the limitations of the gambling block as well as the potential solutions for this. I think Mr S understood that the gambling block wasn't working regarding this merchant but waited a month before informing Monzo about this and that there was a problem.

So I don't think Monzo should be penalised for the limitations of the gambling block which were out of its control. And not being able to easily block all gambling transactions made by online banking transfers or otherwise, is not an error on Monzo's part. It simply isn't possible.

Mr S says he'd never used this merchant before and believes the activity on his account alone should've been enough for the transactions to be flagged and for Monzo to have taken proactive measures to safeguard his welfare.

Monzo says it has systems in place to try to pick up suspicious or out of character transactions that might be fraudulent but that its fraud prevention system didn't record anything of concern. The transactions to the merchant were made for various relatively small amounts over different days.

And having reviewed the transactions on the account prior to January 2023 I can see that Mr S may not have used this merchant before, but he had previously made the same types of faster payment transactions for similar amounts. So I'm satisfied there wasn't enough to indicate to Monzo that these types of payments were a concern or unusual for Mr S and that it should've stepped in. And I don't believe it would be reasonable for Monzo to be expected

to monitor every individual transaction on a customer's account because it had been made aware of a gambling problem.

So although I sympathise with Mr S and the struggles he has with gambling addiction, I don't think it would be fair to ask Monzo to refund him for the money he spent.

However, I do accept that Monzo's service could've been better and that there was around a three month delay in applying the block and Monzo failed to respond to Mr S in a timely matter regarding his complaints. But as Mr S made no payments to the merchant during this time and I can't see that Mr S has lost out financially because of this, I'm in agreement with our investigator that the compensation of £150 for the distress and inconvenience caused is a fair way to settle Mr S's complaint and I do not think further compensation is warranted.

My final decision

For the reasons I've explained I've decided what Monzo Bank Ltd has already done to put things right for Mr S is a fair and reasonable outcome and I'm not going to ask it to do anymore.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 9 November 2023.

Caroline Davies
Ombudsman