

The complaint

Mr I complains that Monzo Bank Ltd processed a payment request incorrectly and they were unable to retrieve all of the funds sent to the wrong account.

What happened

Mr I attempted to transfer £3,000 into an account, however, he entered a nine digit account number instead of an eight digit account number. He says that instead of Monzo rejecting the transfer, they removed the first digit, and they sent the funds without contacting him. Mr I contacted Monzo to try and get the money back and they raised a Credit Payment Recovery (CPR) to try and retrieve the funds, even though it went to another Monzo account. Monzo were only able to retrieve £60.51 of the payment as the unintended recipient withdrew the rest of the funds from their account. Mr I made a complaint to Monzo.

Monzo did not uphold Mr I's complaint. They said the CPR process could take up to 20 working days because they have to reach out to the recipient's bank, who then needs to obtain consent from the account holder to send the money back. They said there was also no guarantee that Mr I would get his money back, as the receiving bank won't be able to return it if the recipient claims the transfer was legitimate or if the recipient has transferred the money out of their account. Mr I brought his complaint to our service.

Our investigator upheld Mr I's complaint. She said as it's clear the details were incorrect (as account numbers are eight digits), Monzo used the incorrect account number and decided to remove the first digit of the account number. She said Monzo should pay back the difference of what he's not had back of the £3,000, plus 8% simple interest on this amount from when the CPR was raised until the refund is made.

Monzo asked for an ombudsman to review the complaint. They said the reason the payment was able to go through despite Mr I entering nine digits is because account numbers can be longer or shorter than eight digits. Once Mr I made the error, they tried to recover this for him, via the CPR, and they told him it's not a guarantee he would get the funds back.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

It's not in dispute that Mr I entered an account number with nine digits to the intended recipient who was an extended family member. So Monzo would not be able to process the payment as Mr I had instructed them to. But even if they had processed the payment as Mr I had instructed them to, at the very worst, I'm persuaded that this would have either reached a Monzo suspense account (as the payment sort code was to Monzo), or bounced back into Mr I's account, as Monzo have confirmed they don't have account numbers with nine digits.

But Monzo removed a digit without Mr I's consent. In effect, they processed a payment which Mr I didn't instruct them to make as they changed the account number to an eight digit

account number. So while Mr I did make a mistake, I'm persuaded that Monzo shouldn't have made the payment which Mr I did not instruct them to make.

Monzo would be best placed to know an account number at their bank didn't have nine digits. They also reasonably ought to have been aware that the payee name on the account they sent the money to was different to the name of the account that Mr I entered on the payment detail. So this should have also alerted them to the fact they were paying money to an account against Mr I's instructions.

While Monzo had raised a CPR, I'm not persuaded that this was the best course of action in these particular circumstances. I say this as the account the funds were sent to was also a Monzo account. So when Mr I contacted Monzo regarding the error, and they told him they removed the first digit, then Monzo should have realised they made an error, didn't act on Mr I's instructions, and they should have directly taken action at that point. If they did this, then it's entirely possible that Mr I could have received his full £3,000 back within days if the unintended recipient hadn't withdrew the funds yet.

I've also looked at the Monzo terms and conditions online which were in force when Mr I attempted to make the payment. And I'm satisfied that these support that Monzo should pay Mr I the rest of the money back which they were unable to retrieve for him. I say this as it's probable the payment should have been blocked in the first place when there were nine digits. The terms say "We may block your payments if" and the first reason is "your instructions are unclear". I'm satisfied that a payment instruction with a nine digit account number would meet the definition of Mr I's instruction being unclear.

In addition to this, the terms also show under the "If something goes wrong" section that "It's possible that someone may pay money into your account by mistake, or as a result of fraudulent activity. If this happens, you give us permission to remove the equivalent amount from your account or return the payment to the sender. We don't need to tell you before we do this and we may also provide details about you to the sender's bank to help them get the money back". So I'm persuaded this would have enabled Monzo to act when they realised they made an error of altering Mr I's payment instruction without his agreement. If they had acted when Mr I made them aware, they may have been able to recover all of the money without a CPR being raised (as it was their error to process a payment which wasn't in line with Mr I's instruction).

Monzo's terms also state under their "Our responsibility to you section" that "We're responsible to you for any foreseeable loss and damage which we cause. When we say 'foreseeable', this means we could or should have expected those losses. This includes if we breach the terms of this contract or fail to use reasonable care or skill providing services to you."

I think it can be reasonably argued that by Monzo removing a digit from a payment instruction, and sending this to an individual with a different name of the payee, then a loss would be foreseeable. It potentially could be considered that Monzo didn't use reasonable care here by doing this, and especially by them either not blocking the payment or contacting Mr I before they took the decision to process a payment which was not in line with Mr I's instructions.

The terms also show "We'll also refund any money you lose if we make mistakes with your payments." Here, I'm persuaded Monzo did make a mistake with the payment as they removed a digit, and they sent the payment to a person that was not named on Mr I's instruction. So I'm satisfied that there are multiple reasons why Monzo should repay Mr I £3,000 less the £60.51 they managed to recover, which would be £2,939.49 they should pay him.

But Mr I has been deprived of the £2,939.49 that in my opinion (and based on the terms and conditions), Monzo should have already paid him. So in line with our awards, they should pay Mr I 8% simple interest on £2,939.49 from the date the payment was made, to the date this is refunded back to Mr I.

In Monzo taking the actions they did without Mr I's consent, I'm also persuaded they caused him distress and inconvenience. Mr I has set out why he needed to pay his extended family member the money he tried to transfer to him. So it would have been distressing for him to find out that this money wasn't sent to the correct person (and also potentially cause problems with his family over what happened). It would have been distressing that despite Monzo telling him that they couldn't send a payment to an account with nine digits, that Monzo took the decision to remove the first digit and send it to a different person anyway, without either simply blocking the payment, or contacting him to find out where he wanted the funds to be transferred to.

Mr I was also inconvenienced by having to contact Monzo about the issue either by chat or by the phone. Once Monzo had realised they had processed a payment not in line with Mr I's instructions, this should have been quickly rectified, and probably without a CPR needing to be completed as ultimately it was Monzo's error that the payment went to a wrong account. On Mr I's initial instruction, it couldn't have gone to a wrong account as there were no Monzo accounts which had a nine digit account number.

So I've considered what would be a fair outcome for this complaint. Mr I would have always had some inconvenience and possible distress which wasn't Monzo's fault when he entered an incorrect account number on the instruction, so I need to take this into account as he could have helped mitigate what happened. But after he submitted his instruction, Monzo took actions without his consent, which would cause him additional distress and inconvenience. So I'm persuaded that Monzo should pay Mr I £200 for the distress and inconvenience they directly caused him, refund him £2,939.49 paying 8% simple interest on this amount from the date the payment was processed, to the date of the refund."

I invited both parties to let me have any further submissions before I reached a final decision. Monzo accepted the provisional decision. Mr I said there were no other points he'd like to make in response to the 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.

As neither party have provided me with any further information to consider, then my decision and reasoning remains the same as in my provisional decision.

Putting things right

In my provisional decision I said I intend to uphold this complaint. I said I intend to ask Monzo Bank Ltd to do the following:

Pay Mr I the remaining £2,939.49 which they were unable to recover along with 8% simple interest per year* calculated from the date the transfer was processed to the date of the refund;

Pay Mr I £200 for distress and inconvenience.

*If Monzo consider that they are required by HM Revenue & Customs to deduct income tax

from that interest, they should tell Mr I how much they've taken off. They should also give Mr I a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

I'm still satisfied this is a fair outcome for the reasons given previously.

My final decision

I uphold this complaint. Monzo Bank Ltd should settle the complaint in line with the instructions in the "*putting things right*" section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 12 March 2024.

Gregory Sloanes
Ombudsman