

## **The complaint**

Mr B has complained that Monzo Bank Ltd won't refund him for transactions' he says he didn't make or authorise totalling just under £3,000.

## **What happened**

Mr B had a current account with Monzo.

On 10 July 2023, three bank transfers were made to a third party which I will refer to as Z. The transactions were funded by two payments of just under £4,500 which had been made into Mr B's account from an individual I will refer to as Mr K. The disputed transactions were made using Mr B's Monzo mobile banking app.

Mr B says he had no knowledge of these transactions and didn't authorise the payments to Z out of his account. He said he discovered the transactions after being alerted via his mobile banking app and raised his concerns with Monzo. He told Monzo that his email had been hacked prior to the transactions being made. Mr B said that he had not disclosed his banking PIN or banking credentials to anyone. And that no one had access to his mobile phone. So, he asked Monzo to refund the transactions.

Monzo looked into Mr B's fraud claim and asked Mr B about the money he'd received from Mr K. Mr B told Monzo that he'd been expecting the payments and had received the money for services he'd provided.

Monzo decided not to refund the disputed transactions. It felt that the available evidence suggested Mr B had authorised the transactions out of his account. But it accepted it should have looked into Mr B's fraud claim sooner than did. So, I it paid Mr B £50 compensation as an apology for taking too long to deal with his claim. Monzo also decided to close Mr B's account immediately.

Mr B wasn't happy with the bank's response. So, he brought his complaint to our service. He maintained he never made the transactions to Z. He said he had paid £500 to a cybersecurity company who investigated the transactions and concluded that his email account had been hacked. He said that this showed someone had managed to carry out all the transactions after his email account had been compromised. So, he wants Monzo to refund him the transactions because he is a victim of fraud. And to compensate him for the costs of employing the cyber security company.

One of our investigator's looked into Mr B's complaint. She asked Mr B some more questions about what had happened – including to provide the evidence Mr B said he'd received from the cybersecurity company. And evidence to show that he was entitled to the money that had been paid into his account by Mr K. Mr B maintained that he never made the transactions and that someone must have hacked his account. He didn't provide any evidence to show he'd paid £500 to a cyber security company. But provided screenshots which showed his email account had been compromised.

The investigator didn't uphold Mr B's complaint. She said that there was no plausible explanation for how someone else would be able to gain access to Mr B's security banking credentials. So, based on everything, she said Mr B had most likely authorised the disputed transactions. The investigator also said she hadn't seen enough evidence to show Mr B was entitled to the money he said he'd lost. So, she said Monzo didn't have to refund Mr B. She also said Monzo hadn't done anything wrong when it had closed Mr B's account.

Mr B disagreed with what the investigator said. He said he didn't carry out the transactions and Monzo have stolen his money. So, he says Monzo should refund the transactions. And shouldn't have closed his account.

As no agreement could be reached the matter has come to me to decide.

### **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 would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks and financial businesses as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information Monzo has provided is information that we considered should be kept confidential. This means I haven't been able to share a lot of detail with Mr B, but I'd like to reassure him that I have considered everything.

#### *The disputed payments out of Mr B's account*

On 10 July 2023, three payments of £2,500, £300 and £20 were made from Mr B's account to a third party, Z. Mr B says he did not authorise these payments. Based on what he's told this service and Monzo, he is suggesting that an unknown third party was able to make these payments without his knowledge or consent.

There are regulations which govern disputed transactions. Generally speaking, if the evidence suggests its more likely than not that Mr B authorised the payments,(either by making them himself or allowing someone else to) Monzo is entitled to hold him liable for the disputed transactions. The relevant regulations, to this effect, are the Payment Services Regulations 2017 (the PSRs 2017).

The PSRs 2017 say a payment transaction is regarded as authorised if the payer has given consent to the execution of the payment transaction. If a payment service user (customer) denied having authorised an executed payment – the payment service provider (in this case Monzo) has to prove the payment transaction was authenticated. And if it is deemed that a payment transaction hasn't been consented to, it isn't authorised.

PSRs 2017 goes onto say a payment service provider is required to refund the amount of an unauthorised transaction to the payer.

Mr B says he didn't consent to or authorise the transfers and payments to Z and is seeking a refund of the payments made from his account. Monzo say the evidence suggests the transfers and payments were made by Mr B, and he is therefore liable for them. So, I need to think about whether the evidence I have suggests the payments were authenticated and

whether it is more likely than not Mr B, or somebody with his knowledge or authority, carried out the transfers and payments Mr B is now disputing.

Having looked at all the evidence, which includes the technical evidence provided by Monzo, I don't think it's unreasonable for Monzo to have concluded that Mr B more likely than not authorised the transactions. I say this because:

- Mr B has said that he hasn't disclosed his banking PIN or security banking credentials to anyone else. And he has said that he hasn't lost his mobile phone or bank card.
- All three of the disputed payments were authorised using Mr B's mobile banking PIN.
- From looking at the technical data provided by Monzo, I can see on 10 July 2023, that two mobile devices were making transactions from Mr B's account. I will refer to these devices as M1 and M2. Both devices were registered with Monzo as trusted devices – in other words they were phones Mr B had used to access his Monzo bank account.
- The disputed transfers from Mr B's account were made by M1 logging into his mobile banking. This device had been used by Mr B on 4 June 2023, to complete a video identification security process. Mr B hasn't said he no longer has this phone.
- Just prior to the disputed payments two undisputed transfers were made for £1,600 (to another account belonging to Mr B) and just over £30, to another bank. The technical evidence shows that both these transactions were made using M2.
- There were no failed attempts to log into the online app either before or after the disputed transactions. Logging into the online banking app requires customers to complete security which customers create themselves when registering for online banking. Here the person making the transfers needed to enter a PIN. So, I'm satisfied from Monzo's technical evidence that Mr B's previously registered mobile device was used when the disputed transfers were made, and that the transfers were authenticated as Mr B's correct security details were entered to access the online banking app.
- Mr B says he hasn't disclosed his online banking app security credentials to anyone. And that his mobile device is protected with a PIN. Mr B has also said that he hadn't lost any of his mobile phones and they hadn't been stolen. So, there's no reasonable explanation for how an unknown third party would be able to gain access to Mr B's online banking via M1 to carry out the disputed transactions from his account.
- Mr B has suggested that an unknown third party gained access to his mobile banking by compromising his Microsoft account. And he has submitted screens shots showing that there was some unusual activity detected on his account on 9 July 2023. But the evidence also suggests Mr B reset his account password on the same day and that he told Monzo he had secured his account. Both devices – M1 and M2 were registered on the account at this time.
- From looking at the technical evidence I can see that M2 logged into Mr B's Monzo account at 1255hours and out again at 1257hours on 10 July 2023, after the payments from Mr K hit Mr B's account. Following this M2 accessed the account at 1315hours, and the undisputed transfer of £1,600 was carried out. A further payment of £30.13 was then made at 1309hours.
- The payment of just over £2,800 was then received from Mr K into Mr B's account. At 1317hours M1 logged into Mr B's account, and appears again at 1323hours, 1329 hours and then made the disputed transaction of £2,500 at 1335hours to Z.

- Based on this evidence it appears that both mobile devices were acting in tandem. I am aware Mr B has mentioned that different IP addresses were being used by the devices, which suggests they were in different places. But I'm satisfied based on the patterns of access and the movement of the funds they were likely acting in tandem.
- I find it unusual that an unknown third party would wait to move the funds after accessing Mr B's account so many times – I also question how a fraudster would know Mr B had funds in his account to steal in the first place – this would have required heavy surveillance of Mr B's account – and I haven't seen M2 conducting any sort of surveillance of the account. Based on the evidence, the only person who was aware Mr B was going to be receiving money from Mr K was Mr B.
- The disputed transactions reduced Mr B's account balance. Mr B has said that he was notified of the transactions via push notifications on his phone. I think he would've noticed the transactions much sooner than he's said he did as his account balance was reducing. So, I think if he hadn't authorised them, he would've raised this with the bank at the time. But he didn't alert Monzo until after the *last* disputed transaction was made.
- I note too that Mr B disputed the payment of £30.13 that was made at 1304hours. When he spoke to Monzo via its in-app chat he told the bank that he hadn't authorised the payment and had spoken to the receiving bank to try and get these funds recalled. However, from looking at the evidence I can see that this transaction was made using M2 – which Mr B used to send the undisputed payment of £1,600 twelve minutes earlier. So, I don't think I can place much weight on what Mr B has said about the transactions.

I recognise that Mr B has said that he didn't authorise the payments. But based on the evidence I've looked at it's hard for me to see how an unknown fraudulent third party could have obtained all of Mr B's security information, and M1 to make the payments. When I weigh everything up, on balance, the most likely explanation here is that Mr B made the disputed transactions himself or allowed them to be made.

I've also taken into consideration what Mr B has said about his entitlement to the money he says he has lost as a result of the disputed transactions – which were the payments he says he'd received from Mr K for services he provided. In doing so, I've also considered the evidence Monzo has shared with this service in confidence. Having done so, I'm not satisfied that Mr B was entitled to the money which was transferred out of his account to Z. So, even if I didn't conclude Mr B either made or allowed the disputed payments (which for the avoidance of doubt I'm not) in order for me to direct Monzo to refund these funds to Mr B I would need to be satisfied the funds are Mr B's in the first place, and I'm not able to conclude that on the evidence before me.

#### *The closure of Mr B's account and customer service*

I've considered whether Monzo acted fairly in closing Mr B's account. I've looked at the terms and conditions of the account and I'm satisfied it did.

The terms and conditions outline that Monzo can close a customer's account with two months notice, and in certain circumstances it can close an account immediately. In this case Monzo closed Mr B's account without notice. For Monzo to act fairly here it needed to meet the criteria to apply the terms for immediate closure. And having looked at these terms and all the evidence, I'm satisfied that Monzo has applied the terms fairly. It follows that Monzo was entitled to close the account as it did.

Finally, I can see that Monzo has accepted it fell short on the service it provided to Mr B because it took longer than its agreed timeframe to respond to Mr B's fraud claim. Monzo has apologised and offered Mr B £50 compensation. I think this is a reasonable and fair offer. So, I won't be asking Monzo to do anything more.

In summary, I know this will be disappointing for Mr B, but with everything I've seen I'm satisfied that Monzo has acted appropriately here and that it has treated Mr B fairly, so I won't be asking it to do anything more to resolve Mr B's complaint.

### **My final decision**

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 24 July 2024.

Sharon Kerrison  
**Ombudsman**