

## The complaint

Ms P complains about Monzo Bank Ltd's response to her request for help in recovering a payment she made to a third party.

## What happened

On 28 February Ms P was online organising a riding lesson with a third party "S". She paid S £35 from her Monzo account. But while she was making payment Ms P lost online access. She contacted S about her booking, and S told her it hadn't received the payment. However, the money had been debited to Ms P's Monzo account. In order to secure the lesson Ms P paid S another £35. She sought Monzo's help in recovering the missing money, providing Monzo with the background to what had happened.

On 1 March Monzo credited Ms P's account with £35 while it investigated. But on 31 May it sent a message to Ms P to say S had rejected its attempt to chargeback the payment, advising that Ms P had said the matter had been resolved. Monzo told Ms P that it couldn't take matters further unless she responded to it within 14 days. Although Monzo issued a follow up message, Ms P didn't get in touch with it until 15 June, in response to Monzo informing her that it would be reversing the credit it had given her.

Ms P said she didn't understand why Monzo was taking back the refund. She asked Monzo what had happened to the payment. Monzo said it couldn't dispute the payment further. It told Ms P she'd need to deal directly with S. On 29 June Ms P complained to Monzo via its online chat facility. Monzo didn't respond until 10 July and Ms P had to restate events a number of times.

Ultimately, Monzo's position remained unchanged. It issued its final response to Ms P's complaint on 18 July, setting out its stance. Monzo said:

*"Following a thorough review, I've been unable to uphold your complaint as we've followed our internal procedures and regulatory guidelines appropriately.*

*Disputes are a voluntary scheme for banks, which means we aren't obligated to raise a dispute if a customer asks for one, and we aren't obligated to offer any buyer protection in this sort of situation. In this case, [the card scheme] has assessed your claim, and ruled the dispute in favour of the merchant, this means we'll have to take back the temporary refund of £35.00 we provided when your dispute was first raised on the 1st March 2023.*

*In this case, [the card scheme] has assessed your claim and ruled the dispute in favour of the merchant, which unfortunately means that we can't take your dispute any further. We know this won't be the outcome you were hopeful for but we've reviewed the evidence and there's sadly nothing else that would change the outcome here. I can assure you that we've exhausted our internal procedures for trying to get the money back from the merchant, I'm really sorry for the disappointment caused.*

*Unfortunately, recollecting the credit we issued you, is something we are unable to delay or stop. As we have correctly followed our internal procedures regarding recollecting dispute credits and provided you with notice of this recollection, I am*

*unable to uphold your complaint. I am sorry for any inconvenience this may have caused you.*

*I can assure you that we've exhausted our internal procedures for trying to get the money back from the merchant, however the dispute was rejected and we had to accept the challenge from the merchant and will not be able to pursue a refund any further. As such I am unable to uphold your complaint.*

*Wait times*

*You also mentioned that you felt our Customer Operations Team was slow to respond to you and I can see you did wait significantly for a response - I'm sorry for the delay you experienced. We always aim to get back to customers as quickly as possible but sometimes, due to increase in demand, we do take longer than we'd like and we're really sorry to see you were affected by this.*

*I want to assure you that, in light of your experience, we will be recording the details of your complaint and sharing feedback with the relevant individuals and teams to try and prevent a repeat of such circumstances."*

Ms P remained unhappy with the way Monzo dealt with her and felt it could've done more to assist. So she referred her complaint to us.

Our investigator thought Ms P made some fair points. He thought Monzo should've done more than simply attempt to recover Ms P's money through the chargeback process. It could, for example, have attempted to trace the payment to establish whether it had reached S. He felt Ms P had provided enough detail for Monzo to understand that this wasn't simply a dispute between Ms P and S. Further, he wasn't persuaded Monzo had acted reasonably in closing the dispute as it did. While Ms P hadn't responded within the 14-day window Monzo had given her, the response from S wasn't as conclusive as Monzo's actions suggested.

The investigator recommended that Monzo pay Ms P the £35 to resolve the complaint. Monzo wasn't willing to agree to this proposal. It said the evidence from S was compelling, showing that Ms P had said all had been resolved. It had given Ms P the opportunity to respond, and had followed the chargeback process correctly. Any ineffective investigation was due to Ms P's failure to respond within the 14-day period it had given her. It had followed the process set out by the card scheme, and Ms P's statements showed the payment had gone to S.

Our investigator wasn't persuaded to change his opinion and so the matter has been passed to me for review and determination.

### **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 appreciate what Monzo has said about the card scheme rules<sup>1</sup>. That isn't the whole story – Ms P's complaint is about the way Monzo dealt with her when she asked it to find and retrieve her payment. One of the ways Monzo could do this was by raising a chargeback claim based on the information Ms P gave it. But as the investigator pointed out, that wasn't the only thing Monzo could have done. It would be inappropriate to determine the outcome of the complaint by reference only to whether Monzo followed the card scheme rules.

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<sup>1</sup> In this case, the relevant rules are in MasterCard's Chargeback Guide Merchant Edition (25 October 2022)

That said, I do need to consider how Monzo handled this part of the dispute. Ms P raised her concern over the missing payment and the fact she'd paid again for the same transaction. She did so on 1 March. Monzo hasn't provided details to show the date on which it submitted the chargeback claim, or the card scheme reason code it used to do so. I note that it wasn't until 31 May that Monzo informed Ms P of the response it had received from S – a timescale of some three months. It's unclear to me why it then gave Ms P only 14 days in which to respond. The card scheme rules say that a card issuer has up to 45 days from the date of second presentment in which to submit a pre-arbitration filing.

It's possible of course that the second presentment was received from S's acquirer at the start of May. That would explain the timescale Monzo gave Ms P. However, it would be unfair to then say that the reason Ms P's claim couldn't be progressed was due to a delay on her part. But if Monzo received the second presentment later than 1 May, it would have still been within the timescale to progress her claim when she contacted it on the morning of 15 June, within 20 minutes of the bank telling her it was closing the claim.

Like our investigator, I don't consider the information S provided was conclusive that the matter was closed. S simply said what Ms P had told it – that the matter was sorted when she got her refund. As at no point did S say that it had refunded Ms P, the logical interpretation of Ms P's comment was that she was referring to the £35 credit Monzo had applied to her account. I can see why after a number of months had passed, Ms P might reasonably have thought that an investigation had been concluded and the money found.

There is a further point within Monzo's final response letter that causes me some concern. That is, the bank said – twice – that the card scheme had assessed the claim and ruled in favour of S. I've seen nothing to support this assertion, and the information Monzo has provided indicates that it did not make a pre-arbitration filing or submit the claim for a ruling from the card scheme's arbitration team. That might simply point to a misunderstanding of the process on Monzo's part, but it does give a misleading impression of what actually happened. I would encourage Monzo to carefully review the wording it uses in any future responses to its customers to avoid this.

Taking all of this into account, I can't share Monzo's confidence that it handled the chargeback claim in line with the card scheme rules, or that the way that it did so means it treated Ms P fairly.

But that, as I've said, isn't the whole story. Noting the provisions of the Payment Services Regulations 2017 ("PSR"), Monzo's obligations as a payment service provider extend beyond the way it deals with a chargeback claim. PSR 75 says:

*"(1) Where a payment service user—*

*(a) denies having authorised an executed payment transaction; or*

*(b) claims that a payment transaction has not been correctly executed,*

*it is for the payment service provider to prove that the payment transaction was authenticated, accurately recorded, entered in the payment service provider's accounts and not affected by a technical breakdown or some other deficiency in the service provided by the payment service provider."*

Ms P approached Monzo as a customer and payment service user. Her evidence was that her payment was affected by a technical breakdown or some other deficiency in the service provided by Monzo. I also note that on 16 June Ms P had an email exchange with S in which S confirmed it had only ever received one of the £35 payments from her.

The effect of PSR 75 is that it is not sufficient for Monzo just to prove that the payment transaction was accurately recorded and entered in its accounts. The bank's only evidence of compliance with PSR 75 is that the payment shows on Ms P's statement as having reached S. But even that is in question, in light of S's email exchange with Ms P. In reality, the account statement only evidences that the payment was debited to Ms P's account. There is no record of where the payment subsequently went, and it's entirely possible that it remains in suspense either with Monzo or with S's bank.

In such circumstances where money is unaccounted for, it is the role of the sending payment service provider to trace the payment. I haven't seen anything to suggest Monzo took any meaningful action in this respect. It follows that I share the investigator's opinion that Monzo's investigation was inadequate, and that this has resulted in Ms P remaining out of pocket and being treated unfairly.

Overall, I think Monzo has let down Ms P here. It had a number of opportunities to assist her in locating and recovering the missing payment. It took a considerable amount of time to deal with what should have been a relatively straightforward matter for a bank to handle. And the bank's handling of matters caused Ms P additional difficulty. Monzo itself acknowledged this in its final response letter. She shouldn't have had to repeat several times what had happened, and this undoubtedly added to her frustration and inconvenience.

I appreciate Monzo apologised for this in its letter. But sometimes an apology alone isn't enough. And I'm satisfied that's the case here. So in addition to reimbursing Ms P's £35 loss, suitable compensation should take into account the added difficulties she experienced. With this in mind, I've decided to award a further £100 in recognition of the time and trouble Monzo has caused Ms P.

### **My final decision**

My final decision is that Monzo Bank Ltd should pay Ms P £135 to settle this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 16 April 2024.

Niall Taylor  
**Ombudsman**