

Complaint

Miss C is unhappy that Monzo Bank Ltd didn't refund her after she was a victim of fraud.

Background

In April 2023, Miss C visited a bar in a country she was visiting as a tourist. She bought several drinks for her and her friends during that evening. However, she'd told us that she later discovered that she'd been significantly overcharged. She says that the payment terminal in the bar was set up in such a way that she couldn't see the actual value of the transactions. She was told verbally by the bar staff what the price was and trusted those figures were accurate.

As a result, she made the following payments that evening with her Monzo card:

1	£199.37
2	£398.73
3	£393.75
4	£388.77
5	£403.72
6	£593.12
7	£986.87

Typically, Miss C would receive notifications of each individual transaction on the account through her phone. Those notifications would've told her the actual value of the payments that had been debited from her account. However, she says that the venue she was in had poor signal and so they were only delivered to her phone later. Once she realised what had happened, she notified Monzo. It looked into things, but it didn't agree to refund her.

It wrote to her to explain that it had considered whether it might be possible for it to raise a chargeback on her behalf. It said it couldn't do so without evidence to show that the wrong amounts had been debited from her account - for example, receipts for the drinks she purchased. She said that she wasn't given receipts for the transactions and, once she realised what had happened, she challenged the bar staff, and they became aggressive towards her. She decided to leave.

Monzo also said that it has systems in place to spot potentially fraudulent transactions and that it does sometimes freeze cards in high-risk situations. However, it said it needs to balance its fraud prevention efforts against the need to provide a reliable service for its customers.

Miss C wasn't happy with the response she received from Monzo and so she referred her complaint to this service. It was looked at by an Investigator and she upheld it in part. The Investigator said that, strictly speaking, according to the relevant regulations, the payments had been authorised by Miss C even though she'd been deceived about their value. Nonetheless, she said Monzo should've been alert to the possibility of fraud. The Investigator said that Monzo should've intervened in connection with payment 4 in the table

above. If it had done so, she was persuaded that it would've prevented Miss C from making that payment and the subsequent ones. She recommended Monzo refund them.

Monzo didn't agree with the Investigator's view. First, it pointed out that Miss C logged in to her Monzo app more than ten times during the period in which the payments were made. In Monzo's view, it's more likely than not that she was aware, or ought to have been aware, that she was being overcharged. It also said that, if it had blocked her card while she was abroad, it would've left her in a vulnerable position given that Monzo was her main bank account.

As Monzo disagreed with the Investigator's view, the complaint was passed to me to consider. At that point, the Investigator asked Monzo to provide further evidence. She asked that it provide the merchant code for the payee and more detailed evidence of the activity Miss C completed during the logins mentioned above. This evidence was requested in March 2024 and, although Monzo asked for an extension of the deadline to reply, it still hasn't responded.

Findings

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

In broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations 2017 (PSRs) and the terms and conditions of the customer's account.

Reg 67(2) of the PSRs 2017 says that consent to a transaction "*must be given in the form, and in accordance with the procedure, agreed between the payer and its payment service provider*". In other words, if the customer uses the agreed form and procedure for making the payment, they've consented to the execution of that transaction. Unfortunately, that isn't subject to the customer being fully aware of the details of the payment at the time. I accept that Miss C didn't know that the value of those payments wasn't what she expected. Unfortunately, as she used her security credentials to make them, she did authorise them, so far as the relevant law is concerned.

However, that isn't the end of the story. Good industry practice required that Monzo be on the lookout for account activity or payments that were unusual or out of character to the extent that they might indicate a fraud risk. On spotting such a payment, I'd expect it to make enquiries with the customer to satisfy itself that they weren't at risk of financial harm due to fraud.

The Investigator identified the fourth payment in the table above as the point at which Monzo ought to have had concerns. I agree with that conclusion. These payments were certainly out of keeping with the typical activity on her account. They were made in relatively quick succession and to a merchant overseas. I've looked at the statement data Monzo provided and there appears to have been only one card payment of comparable size in the six months prior to the incident. There were a handful of larger payments, but none were made by card, and all appear to have been made to established or otherwise trustworthy payees.

In the circumstances, I think Monzo ought to have been alive to the possibility that Miss C was vulnerable to a commonly occurring scam that targets tourists. It shouldn't have processed payment 4 without first making enquiries with her to satisfy itself that she wasn't at risk of financial harm due to fraud. If it had done so, I'm satisfied that it would've been able to prevent her subsequent losses.

Monzo has said that Miss C logged in to the Monzo app several times throughout this period and so she should've noticed any discrepancies in the account balance. I've considered this point carefully, but I'm not persuaded by it. Monzo has been able to show that she logged in to the app. However, she's told us that there was poor mobile signal at the venue she was in. The fact that she logged-in doesn't necessarily mean that all the relevant data on her account was downloaded in full or reviewable. The poor signal could've limited the functionality of the app, preventing her from seeing her balance in real time or the individual payments.

I've also taken into account that the processing time and the way the merchant's payment system operated might have affected whether the transactions would've been immediately visible as pending payments. In short, her ability to log in doesn't automatically mean she saw the full picture of her financial activity in real time. Monzo hasn't been able to provide any specific evidence regarding her activity during those logins. Without more detailed information about what Miss C viewed, it's speculative to claim that she should have known she'd been overcharged. Overall, I'm not persuaded that the available evidence shows that it's more likely than not that Miss C was, or ought to have been, aware.

Finally, Monzo has argued that blocking her card could've left her in a vulnerable position since Monzo is her main bank account. I'm not persuaded by that. If it had intervened, it could've notified Miss C and given her the opportunity to review the transactions while stopping any immediate threat to her funds. If she confirmed they were legitimate, Monzo could have promptly reactivated her card. I don't see any reason why this process would've taken such a long time that it could've risked leaving Miss C in a vulnerable position.

Final decision

For the reasons I've explained above, I uphold this complaint in part. If Miss C accepts my final decision, Monzo Bank Ltd should:

- Refund transactions 4,5, 6 and 7.
- Add 8% simple interest per annum to those payments calculated to run from the date the payments debited her account until the date any settlement is paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 17 October 2024.

James Kimmitt
Ombudsman