

The complaint

Mr O complains that Monzo Bank Ltd won't refund payments which he has said he didn't authorise.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

On 13 August 2023, Mr O lost his phone while out shopping. On 4 September 2023, he installed the Monzo app onto a new device (which he bought on 25 September 2023) and discovered two transactions totalling £5, 254.24, which he says he didn't recognise.

He reported the payments to Monzo but it refused to refund them. He later complained about the outcome of the fraud claim and the service he'd received when he reported the claim. Monzo didn't accept the disputed payments were fraudulent, stating it wasn't possible that they were authorised by a third party, or without Mr O's knowledge and consent. It said it couldn't be transparent about the closure of the account and it was in regular contact with him during the fraud investigation. But it accepted the fraud investigation didn't meet its internal timescales and credited £75 to his account.

Mr O wasn't satisfied and so he complained to this service. He explained he accesses his online banking using the mobile app on his phone and no one knows his login details for the app or the numeric password for his phone. He lives in a shared house, no one has permission to use his phone and his security information isn't written down anywhere.

Our investigator initially recommended that the complaint should be upheld, explaining that Monzo hadn't provided any evidence that Mr O had made the transactions. But Monzo provided further evidence and she changed her position.

Monzo said Mr O was being held liable for the payments because it had evidence that he'd made them. It explained that he sent an email on 3 September 2023 stating he wanted to update the email on his Monzo account, but the new email address was the same. He struggled to get back into the app due to issues sending photo ID and was eventually logged back in on 28 September 2023.

It said that on the day the transactions were approved, Mr O did an ID verification proving the new device was in his possession. The device logged in at 8:31am and it approved the identity challenge at 7:02pm. The payments were authorised by Mastercard 3DS at 7:05pm and 7:22pm and the transactions were approved using a PIN in the Monzo app.

Monzo explained there had been no PIN changes and if the phone had been stolen and compromised the fraudster would need to know the PIN to accept a transaction through 3D verification.

Our investigator issued a second view explaining that she accepted Mr O or someone with his consent made the transactions, therefore Monzo had acted fairly by declining to refund the transactions.

She explained the transactions were approved through the Monzo app, the PIN was required to authenticate the transactions and there was no plausible explanation as to how the PIN could have been compromised. Further, Monzo had provided evidence that the PIN hadn't been changed and an unknown third-party wouldn't have been able to guess the PIN.

On 4 September 2023, ID verifications were carried out at 7.02 and 7.37, which involved Mr O sending in a selfie. This was completed on a new device that was then used to make the transactions. The first disputed transaction was authorised at 9:05pm and the second transaction at 9:22pm. Our investigator was satisfied this suggested he had his phone on him and it was not stolen.

Our investigator also noted that on 4 September 2023 Mr O was asked "has someone else had access to the customer's card, PIN, phone device they make payments from?". He replied no. He was also asked "Does anyone have access to the customer's protected device" again he replied no. Our investigator commented that if the phone had been stolen, Mr O would have told Monzo, so she felt his complaint lacked credibility and she was satisfied he had authorised the payments.

Mr O has asked for his complaint to be reviewed by an Ombudsman.

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.

Having done so, I've reached the same conclusion as our investigator. And for largely the same reasons. I know Mr O feels strongly about this complaint, and this will come as a disappointment to him, so I'll explain why.

Authorisation

Authorisation has two limbs – authentication and consent. So, Monzo needs to show the transactions were authenticated as well as showing Mr O consented to them.

Authentication

Authentication can be shown by the correct details and credentials being used to log into online banking. Monzo has been able to show the transfers were authenticated through the Monzo app using Mr O's registered device. All payments were verified using 3DS and the payments were approved using a PIN in the Monzo app - so I'm satisfied they were authenticated.

Consent

The transactions Mr O disputes were all made through the Monzo app on Mr O's device, and they were approved using a PIN in the Monzo app. So, if they weren't carried out by Mr O, that means someone else would have had to have the password to gain access to the phone as well as the PIN to approve the payments in the app.

Mr O has stated that no one knew the password for his phone or the PIN for his Monzo app and he didn't write them down anywhere. So, it's unlikely the transactions were made by

someone acting without his permission. The consumer can be bound by the acts of a third party which appear to have been made with the consumer's authority – this is called apparent authority. But Mr O hasn't said anything to suggest that this is what happened.

Conversely, Monzo has produced evidence to show Mr O logged back into the app on 28 September 2023, which would have required access via a link which was sent to his registered email address. So, there's no way a fraudster would have been able to log in to the app without also having access to Mr O's email account.

Further, on the day the disputed transactions were approved, Mr O sent ID verification selfies at 7.02pm and 7.37pm, proving the new device was in his possession. The device was then used to log in to the account at 8:31am and the payments were authorised by Mastercard 3DS at 9:05pm and 9:22pm. So, the payments weren't made using the stolen phone and there is no plausible explanation as to how a fraudster would have had access to Mr O's new phone because he had it in his possession when he did the ID verification.

Critically, the transactions were approved using a PIN in the Monzo app and as there's no explanation as to how a fraudster would have known the PIN, I consider the payments must have been approved by Mr O.

Having carefully considered the evidence, I think it's likely that Mr O made the transactions himself therefore I'm satisfied the disputed transactions were consented to.

Because of this, I'm satisfied Monzo has shown that Mr O authorised the transactions and so I can't fairly ask it to refund the money.

My final decision

My final decision is that I don't uphold this complaint.

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

Carolyn Bonnell
Ombudsman