

The complaint

Mr G complains that Monzo Bank Ltd (“Monzo”) failed to refund a cash withdrawal he didn’t recognise and closed his account.

What happened

Mr G explained that he was in a store and wanted to withdraw money (£50) via cash back. He transferred £50 from a savings account into his Monzo account, but the store couldn’t offer the cash back. Mr G went on to say he lost his card at some point on the way back to the car and shortly afterwards he received a notification that £50 had been withdrawn from an automated teller machine ATM.

Mr G reported the loss to Monzo and was in contact with them over several days asking them to refund him. Mr G confirmed to Monzo that he hadn’t written the personal identification number (PIN) to his card down anywhere and no one else knew it.

After an initial review by Monzo, they declined to refund him. Mr G raised a complaint about the situation. Monzo finalised their investigation and maintained their position not to make any refund because they believed Mr G himself had made the transactions. Monzo also issued Mr G with a 62-day notice to close his account. Monzo accepted their investigation was delayed and paid £50 compensation to Mr G.

Mr G was unhappy with Monzo’s handling of his complaint and brought it to the Financial Ombudsman Service for an independent review where it was looked into by one of our investigators.

Both parties were asked for details of what happened, and Mr G reconfirmed his version of events, believing that someone unknown to him had used his card to withdraw £50 cash.

Monzo provided details of their investigation, including payment and account audit data.

After reviewing the information, the investigator didn’t think that Monzo had been unreasonable when they held Mr G liable for the payments. Also the closure of the account followed the appropriate agreement between the parties. Mr G’s complaint wasn’t upheld.

Mr G continued to deny he was responsible for the payment and argued that he was neither grossly negligent nor had he acted fraudulently, so Monzo should’ve refunded him straight away when he reported the loss of his funds. Mr G wanted a further review of his complaint.

As no agreement could be reached, the complaint has now been passed to me for a 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.

The relevant law surrounding authorisations are the Payment Service Regulations 2017. The basic position is that Monzo can hold Mr G liable for the disputed payment if the evidence suggests that it's more likely than not that he made it or authorised it, but Monzo cannot say that the use of the card and PIN conclusively proves that the payments were authorised.

Unless Monzo can show that consent has been given, it has no authority to make the payment or to debit Mr G's account and any such transaction must be regarded as unauthorised. To start with, I've seen the bank's technical evidence for the disputed transactions. It shows that the transactions were authenticated using the payment tools issued to Mr G.

It's not my role to say exactly what happened, but to decide whether Monzo can reasonably hold Mr G liable for these transactions or not. In doing so, I'll be considering what is most likely on a balance of probabilities.

Mr G has maintained throughout his complaint that he lost his card prior to the cash withdrawal from an ATM. It's the case here that Mr G confirmed he hadn't given anyone else the details to use his card or written the PIN down. Cash withdrawals such as this one requires the PIN to be entered to authorise the withdrawal.

I've reviewed the activity on the card to see if there's a plausible explanation to show how the PIN became known to someone else, who could possibly have then noticed Mr G drop his card, before using it at an ATM. Mr G used his card in a shop a short while before he lost it and prior to transferring £50 into his account (which had a minimal balance prior to the transfer). The transaction at the shop used the contactless feature of his card, so there's no opportunity for anyone to possibly observe him entering the PIN – often called "shoulder surfing".

Card PINs are generally at least four numbers, meaning there are 10,000 possible permutations for the PIN, so I don't think it's plausible for someone to correctly guess the PIN to use at the ATM.

As there was no PIN written down with the card and there was no use of the PIN prior to the cash withdrawal, I don't think the withdrawal can be explained away as an unknown third party who happened across the card. I've also thought about the actions on the account prior to the withdrawal. The account balance was 34 pence prior to the £50 transfer carried out by Mr G (about 15 mins after leaving the shop) and the disputed withdrawal took place about 23 mins after the transfer. The withdrawal was only for £50 – the exact amount transferred earlier.

What that means here is that whoever used the card to make the withdrawal appeared to have a good idea what was in the account. This could be a coincidence of course, but the user of the card seemed to wait for at least half an hour before using it (based on Mr G's testimony that he lost it at the shop), rather than attempt to use it straight away, which would be more typical when a thief has obtained someone else's card and knew the PIN.

Overall here, I don't think the evidence points towards an unknown third party being responsible for the cash withdrawal. Having reviewed all the evidence, I think it's more likely than not that Mr G or someone with his permission carried out the withdrawal and it was reasonable for Monzo to hold him liable for the transaction.

I've also thought about the account closure. Here Monzo issued a 62-day notice to close the account in line with the agreement between the parties when the account was opened. Monzo aren't obligated to explain why they did this to Mr G and as it followed the agreement, I don't think that Monzo's approach here was either unreasonable or unfair.

Monzo themselves made a payment of £50 to Mr G as they didn't think they'd investigated the matter in line with their own process. As the delay was minimal, I think the payment Monzo made was fair and reasonable in the circumstances.

I appreciate Mr G's belief that he should have had an immediate refund, but as Monzo believed he was responsible for authorising the payment, I don't think their decision to withhold the refund was unfair in this case.

As I've made a finding that I think Mr G himself was responsible for the withdrawal, I haven't further considered any other parts of the PSRs – specifically whether he was grossly negligent or fraudulently involved in the withdrawal.

My final decision

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 G to accept or reject my decision before 20 November 2024.

David Perry
Ombudsman