

## **The complaint**

Ms P, acting on behalf of her business “P” complains that Monzo Bank Ltd won’t refund or recover the money P lost when Ms P was the victim of a scam.

## **What happened**

Ms P was looking to book a holiday, she searched online and says she then contacted various companies to see what deals were available. Ms P says one company, which I’ll call “L” offered a very good deal, so she agreed to book with them. Ms P made an initial payment from P’s Monzo account for £1,533. This payment was made over the phone using P’s card details, and authorised by Ms P. This was higher than the amount Ms P had been quoted, but she was told some of it would be refunded. It appears that over the next hour Ms P was then encouraged to approve a series of payments to L (although in fact these payments were to two separate travel companies), she was variously told that she was approving refunds or that she had to make these payments as there had been errors. In total, Ms P paid £4,995.26 from P’s account.

Ms P did though become suspicious about all the payments and, after speaking with a manager at L who became angry with her and then hung up, she realised this was likely a scam, and contacted Monzo to tell it what had happened.

Monzo looked at what had happened, but did not agree it was liable for P’s loss. Ms P was unhappy with this response, so she referred her complaint to our service.

One of our Investigators looked into what had happened, but they considered that Monzo had treated Ms P fairly here. They said that Monzo could not have reasonably prevented the payments from being made and that there was no reasonable prospect of a chargeback being successful. So, they did not consider that Monzo could have done anything to help prevent this scam, or to recover P’s money.

Ms P remained unhappy so, as no agreement could be reached, this case has now been passed 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.

Having done so I’ve reached the same conclusion as our Investigator, and for the same reasons.

It’s not disputed that Ms P authorised the payments that are the subject of this complaint. So as per the Payment Service Regulations 2017 (which are the relevant regulations in place here) that means Ms P is responsible for those payments as a representative of P. That remains the case even though she was the unfortunate victim of a scam.

Because of this, P is not automatically entitled to a refund. But the regulatory landscape, along with good industry practice, also sets out a requirement for account providers to protect their customers from fraud and financial harm. And this includes monitoring accounts to look out for activity that might suggest a customer was at risk of financial harm, intervening in unusual or out of character transactions and trying to prevent customers falling victims to scams.

So, I've thought about whether Monzo could have done more to prevent the scam from occurring altogether. Monzo ought to fairly and reasonably be alert to fraud and scams, so I need to consider whether it ought to have intervened to warn Ms P when she tried to make the payments from P's account. But considering the value and nature of the payments, in the context of P's account, I don't think there was anything that should have flagged to Monzo that P might be at risk. The payments were, both in the context of the payments Monzo sees every day, and in comparison to the payments regularly made from P's account, not so high as to be remarkable. And while there were multiple payments in a short space of time, these were to two different, apparently legitimate, retailers, and would not necessarily have been a cause for concern. The payments were also authorised using 3D Secure, so Monzo would have been reassured that it was Ms P making the payments herself.

So, given that I don't consider these transactions were so out of character as to be particularly remarkable or require intervention, I don't think Monzo missed an opportunity to intervene. And given that they were also card payments, there was no way that Monzo could have stopped the payments from leaving P's account by the time Ms P told it of the scam.

Because of this, even though I accept Ms P was the victim of a scam, I don't think Monzo could have done anything to prevent P's loss and I'm satisfied its decision not to refund the money lost to the scam was fair.

I have though considered whether Monzo could have done more to try to recover the money P lost once it was clear that Ms P was the victim of a scam.

Chargeback is a voluntary scheme run by Mastercard whereby it will ultimately arbitrate on a dispute between the merchant and customer if it cannot be resolved between them after two 'presentments'. Such arbitration is subject to the rules of the scheme — so there are limited grounds on which a chargeback can succeed. Our role in such cases is not to second-guess Mastercard's arbitration decision or scheme rules, but to determine whether the regulated card issuer (i.e. Monzo) acted fairly and reasonably when presenting (or choosing not to present) a chargeback on behalf of its cardholder.

In my judgement, it was not unreasonable for Monzo to conclude it had no valid dispute grounds in order to process a chargeback claim on behalf of P. Before Monzo can process a chargeback claim, valid grounds to do so must exist. Unfortunately, Mastercard's rules don't cover the situation Ms P found herself in. As she authorised the payments through a degree of higher verification, Monzo couldn't have pursued a chargeback claim on the basis that the transactions were 'unauthorised' as this wasn't the case.

There also weren't any other 'reason codes' Monzo could have used because the other relevant codes first require there to have been an agreement for the purchase of goods or services. Here, there was no evidence of an agreement between P or Ms P and the recipients of the funds. As such, I'm satisfied that Monzo didn't make an error by not disputing these payments through the chargeback scheme as I don't think there was any reasonable prospect of a chargeback succeeding.

Overall, I have every sympathy for Ms P, and I know my outcome will not feel fair to her because it is clear that P – and by extension Ms P – has lost out financially. But, having

considered these matters carefully, I can't fairly say that Monzo must refund these payments when the relevant law, rules and codes of practice do not place that responsibility on it. So, I don't consider that I can fairly say Monzo should be held liable for P's loss or that it could have done more to recover the funds.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 12 June 2024.

Sophie Mitchell  
**Ombudsman**