

The complaint

Mr J complains that Monzo Bank Ltd hasn't refunded payments on his account that he's reported as unauthorised.

What happened

Mr J is unhappy that Monzo has held him liable for two payments that were made from his account as part of a bank impersonation scam. Mr J received a call from an individual purporting to work for Monzo, saying that fraudulent activity had been detected on his account and he needed to take steps to secure it.

Mr J understood that two attempts to borrow funds had been made on his account and that the second, a loan for £11,500 had been successful. He was instructed to follow a 'mirroring' process for the loan application which would cancel the borrowing. This in fact completed a genuine loan application. Following this, two payments were made from his account using the loan funds, which Mr J says were done without his authorisation.

Mr J complained to Monzo about the payments and reported that he'd been the victim of a scam. Monzo didn't agree to refund him as it said its data showed it must've been Mr J (or someone with his authority) that completed the payments. Mr J came to our service and our investigator concluded that Monzo should've spoken to Mr J when the second payment attempt was made. She concluded this would've unravelled the scam and protected these funds. Monzo agreed to refund this payment, but Mr J asked for an ombudsman to review his case and issue a decision. He didn't agree he should be liable for the first payment.

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 starting position in line with the Payment Services Regulations 2017 ("PSRs"), the relevant legislation here, is that Mr J is liable for payments he's authorised, and Monzo is liable for unauthorised payments.

For a payment to be regarded as authorised, the PSRs explain what steps must be completed. They set out that the payer (Mr J) must have given its consent to the execution of the payment, or a series of payments. And this consent must be given before, or if agreed between parties, after the payment; in the form, and in accordance with the procedure, agreed between the payer and the firm; and can be given via the payee or a payment initiation service provider.

In this case, Mr J says the payments were unauthorised as he didn't want to make them and he didn't knowingly authorise them. But, as set out above, the PSRs do not take into account someone's state of mind or knowledge. They set out that consent is given by three things – the key one here being that consent must be given in line with what has been agreed between Mr J and Monzo. So that is what I need to consider.

Mr J accepts that he completed the steps for the loan application. I recognise he thought was mirroring the application process to cancel a fraudulent loan, not apply for one, so he was tricked into doing this. But he has confirmed, under the instructions of the scammer, he went through the steps to apply for the loan that funded the disputed transactions. So I haven't considered the loan further.

Moving to the two disputed payments, I have looked at what was required for them to be considered as authorised. Monzo's terms and conditions set out the ways that Mr J consents to payments. For Bank transfers, these say:

Ways you consent to making the payment

- *Enter your PIN.*
- *Enter a security code.*
- *Prove it's you with fingerprint or facial recognition.*

Monzo have been able to show that only one device is registered on Mr J's account and this is the same device that was in use before and after the scam. So only someone using this, Mr J's own device, could've completed the required steps in app to consent to the payments. Mr J is certain he did not download any remote software which could allow someone else to remotely use this device.

In this case, Monzo flagged and blocked the first attempted payment the scammer made. A temporary block was placed on Mr J's account and could only be removed by Mr J verifying his identity with a video, which I can see he did. The data for the video shows it was completed on Mr J's same trusted device and confirmed it was him accessing the account. I can also see that, after reporting the scam, Mr J was asked to complete two more videos by Monzo and the person in all three is the same. Due to the first video, the account was unblocked.

As set out above, Mr J didn't need to personally complete all the payment steps under Monzo's terms for a payment to be "consented" to. Once the block was removed, the scammer attempted the payment again through Open banking. The next steps are that the payment would've then appeared in app for Mr J to approve, either using his PIN or biometrics, in line with the account's terms and conditions. The data we hold shows the payment was approved in app with biometrics, so it was then processed. And under the account terms, this means it was consented to.

The same process was completed for the second payment, so again, under the account terms, it was also consented to. So this means, under the PSRs both these payments are regarded as authorised.

I do recognise why Mr J doesn't agree with this stance. I know he doesn't recall authorising any payments in the app. But the data shows this was completed. I empathise with his situation, as I consider he was tricked into completing the steps required for authorisation. And I know he did this to try and protect his funds. But the PSRs set out how a payment is consented to and what is required for it to be authorised and I can't say that Monzo has incorrectly applied this test.

As I consider the payments were authorised, I've then considered whether there were any ways Monzo should've reasonably prevented Mr J's loss. Mr J has mentioned the PSRs' test for gross negligence, but this doesn't apply to authorised payments, so I haven't needed to assess him against this.

Our investigator concluded that Monzo should've stopped the second payment attempted by the scammer due to concerns of financial harm to Mr J. She said Monzo speaking to him would've unravelled the scam and so the loss from this payment could've been prevented.

In relation to the first payment, Monzo did initially block it and ask Mr J to complete the identification video. I think this was a proportionate intervention for this payment, so I'm not directing Monzo to refund this.

However I'm in agreement with our investigator that Monzo should refund the second payment – which Monzo has already agreed to pay. When this payment was initiated, the amount leaving Mr J's account in a short space of time was high and out of character for him. And I also consider it unusual he'd be paying the same, international account twice within two minutes. While it's not that unusual for someone to take out a loan and then spend it, the payment pattern here in conjunction with the amounts and account usage meant I consider Monzo should've intervened before the second payment was processed.

I've considered whether Monzo could have done anything to recover the first disputed payment. However, given the time between this payment and Mr J reporting the scam, and the fact this payment was made internationally, I think it is unlikely that any funds would have remained. This is because fraudsters usually transfer money on from the receiving account very quickly, often within minutes. And as the payments were sent internationally, the receiving bank wasn't required to respond in the same way as a UK firm would be.

Putting things right

Monzo Bank Ltd should refund the second payment made on Mr J's account for £4,800. It should also pay 8% per year simple interest on this, from the date of loss until the date of refund.

My final decision

For the reasons set out above, I partially uphold Mr J's complaint against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 13 December 2024.

Amy Osborne
Ombudsman