

The complaint

Miss X complains Monzo Bank Ltd has not dealt fairly with her chargeback requests and closed her account.

What happened

Miss X had an account with Monzo.

Miss X made chargeback claims to Monzo for five payments totalling £967 which were made from her Monzo bank account between October 2022 and February 2023.

Miss X used the debit card connected to her Monzo bank account to pay for some clothes and beauty products she had bought online from several retailers. She later contacted the bank asking it for help obtaining a refund of what she'd paid because she said the clothes and items had not arrived.

The payments Miss X disputed were:

- 10 October 2022 £216.50
- 18 November 2022 £195.00 (refund offered)
- 25 November 2022 £72.80
- 8 January 2023 £65.70
- 21 February 2023 £420.00

Monzo raised a dispute through the system known as "chargeback", in an attempt to reclaim funds on the first dispute and wasn't successful. However, Monzo accepted it made mistakes when Miss X raised the first dispute – incorrectly telling Miss X that the claim was outside of the chargeback process timeframe and asking her to provide information she'd already submitted. Monzo paid Miss X £75 compensation to put things right. And raised the chargeback with the merchant in February 2023.

The merchant said that Miss X had raised her dispute with them outside the 14-day delivery time period, so they were unable to investigate properly with their courier. So, Monzo closed Miss X's chargeback claim due to there being a lack of evidence and unrealistic chance of success.

Monzo rejected Miss X's chargeback claim for the £195.00 dispute on the basis that Miss X didn't provide evidence that she'd attempted to resolve things with the merchant. However, Monzo later offered to refund Miss X £197 plus 8% simple per annum interest for loss of use of the funds, in error.

The retailer contested the chargeback for the £72.80 dispute, arguing that the goods had been delivered to Miss X's address via royal mail on 5 December 2023.

Prior to raising a claim for the £65.70 dispute, Monzo asked Miss X to provide more information including which items Miss X hadn't received and proof of Miss X returning some

of the items. But Miss X didn't provide anything. So, Monzo didn't raise a chargeback request with the retailer as it didn't think it had a realistic chance of being successful.

The retailer for the £420.00 dispute conducted an investigation including interviewing the delivery driver, GPS tracking, ID/name at point of delivery. Based on this the merchant rejected the claim. So, Monzo closed this claim.

Following this on 9 March 2023, Monzo decided to close Miss X's account and wrote to her giving her 60 days' notice that she needed to make alternative banking arrangements.

Miss X complained to Monzo. She said she'd followed the charge back process and had provided all the information about her claims to Monzo. So, she said Monzo should have raised her chargeback claims and refunded her the money she'd spent.

In response, Monzo said it hadn't done anything wrong and had followed its charge back process correctly. It also said it had closed Miss X's account in line with the terms and conditions of the account.

Miss X remained unhappy and brought her complaint to our service where one of our investigators reviewed everything. To put things right Miss X said she wants Monzo to refund her chargeback disputes and pay her £100 compensation.

After, Miss X raised her complaint with us, Monzo offered Miss X £197.00 plus 8% simple per annum interest to resolve her complaint. It explained that this represented the 18 November 2022 chargeback claim, which it had declined, and offered to refund in error. Monzo told the investigator that despite the claim being rejected it was still happy to offer this to Miss X to resolve her complaint. However, Miss X declined this offer.

Our investigator said that Monzo had made a fair offer to settle the complaint. She also said that some of the merchants disputed the chargebacks Monzo had raised, and had provided evidence of delivery of the goods Miss X ordered. The investigator also explained that there's no right for a consumer to require that a chargeback claim be made and based on the information available to Monzo, it wasn't an unreasonable conclusion for it to reach that the merchants would respond to defend a chargeback request – so there was likely no real prospect of success. The investigator also said that Monzo hadn't treated Miss X unfairly when it closed her account.

As no agreement could be reached the matter has come 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.

When a person buys goods or services using a debit card, there is no automatic right to a refund from their bank if something goes wrong with the purchase. However, a bank may be able to assist their customer through the dispute resolution system administered by the relevant card scheme. Disputes raised through this system are usually called "chargebacks". The card scheme sets the rules which govern whether or not a chargeback can be made, and whether it should be successful. These include rules about what kind of disputes can be made via a chargeback, what kind of evidence is required, and any time limits which apply to the process.

Chargebacks are not guaranteed to succeed – they can be contested by the other side to

the dispute. Ultimately, if no side is willing to concede then the card scheme itself can be asked to make a ruling.

I would expect a bank to attempt a chargeback on behalf of a customer wishing to bring a dispute, so long as there was a reasonable prospect of the chargeback succeeding. I'd expect the bank to conduct the process in a competent way, without making mistakes. If the chargeback is contested by the other side then I would not expect the bank to accept an obviously wrong or invalid defence, but I would not normally expect it to continue pursuing the dispute in the face of a valid defence.

In Miss X's case, Monzo felt that the defence from two of the retailers was compelling enough that it decided to concede the dispute and not take it any further. I've considered whether that was a reasonable thing for the bank to have done in the circumstances, paying attention to the rules of the card scheme involved (Visa).

Visa's rules say that one of the reasons a person can raise a chargeback is where they pay for goods using their card and the goods are not received. This is what Miss X said happened, and Monzo raised the initial chargeback for her on that basis.

Two of the merchants disputed that Miss X was entitled to a refund and provided compelling evidence that the goods were delivered. It also appears that Miss X raised her dispute with the merchant regarding the £216.50 chargeback outside the 14-day delivery time frame. So, the merchant was unable to investigate things properly with their courier. With this in mind I don't consider that there was a reasonable prospect of chargeback claims being successful in these circumstances. So, I'm not persuaded that Monzo's decision to close Miss X's chargeback claims was incorrect.

As our investigator highlighted, it's the role of this service to decide whether Monzo acted wrongly in declining to take her chargeback further, not to decide exactly what happened to the packages. I find Monzo's decision not to take the chargeback further was reasonable in the circumstances. This is because, as discussed above, the retailer was able to provide compelling evidence to dispute the chargebacks.

Monzo asked Miss X for more information regarding the £65.70 chargeback. Specifically, it asked Miss X for evidence of sending items back to the merchant and details of the items she hadn't received. Monzo needed this information to raise a charge back with the merchant. But Miss X didn't provide it. I consider that it would be reasonable to expect her to have been able to provide some such evidence to support her claim. Chargeback is an evidence-based process, so if Miss X was unable to provide what Monzo needed, I don't think Monzo acted unreasonably when it declined this chargeback request.

I appreciate that Miss X says the onus is on Monzo to raise chargebacks. I disagree. Monzo's overarching obligation is to treat customers fairly and to raise chargebacks where it has a reasonable prospect of success. I'm satisfied that is what Monzo has done here.

Monzo has offered Miss X £197.00 plus 8% simple per annum interest in respect of the chargeback she raised for £195.00. Monzo has explained that it had declined the chargeback and made the offer in error. However, it has said that this offer is still on the table. Having looked at all the circumstances, I think this is a fair and reasonable offer. So, I won't be asking Monzo to do anything more.

Finally, I will deal with Monzo's decision to close Miss X's account. Monzo have relied on the terms and conditions when closing Miss X's account. These state that the bank can close an account by giving two months' notice. And in some circumstances immediately. Here, Monzo wrote to Miss X in March 2023, giving her the full notice period that it was closing her

account and that she'd need to make alternative banking arrangements. So, I'm satisfied that it's complied with this part.

I've then gone on to consider whether Monzo's reasons for closing the account was fair. In doing so, I appreciate that Monzo is entitled to set their own policies and part of that will form their risk criteria. It is not in my remit to say what policies or risk appetite Monzo should have in place. I can however, while considering the circumstances of individual complaints, decide whether I think customers have been treated fairly.

After considering all the available evidence and circumstances, I haven't seen any evidence that would lead me to conclude Monzo closed Miss X's account for an improper reason. There's nothing that I've seen, that suggests it amounted to anything other than a legitimate exercise of its commercial discretion. That in turn means it can choose who it has a customer relationship with. This is a decision that I can't interfere with as it is a commercial business decision. So, it was entitled to close the account as it's already done. And I won't be directing Monzo to reopen Miss X's account.

My final decision

For the reasons explained above, I uphold Miss X's complaint in part. To put things right Monzo Bank Ltd should:

- Pay Miss X £197.00
- Pay 8% simple interest per annum on £197.00 from 18 November 2022 until the date the funds are returned to Miss X*.

*If Monzo Bank Ltd considers that it's required by HM Revenue & Customs to deduct tax from that interest, it should tell Miss X how much it's taken off. It should also give Miss X a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss X to accept or reject my decision before 12 March 2025.

Sharon Kerrison
Ombudsman