

The complaint

Mr R complained because Monzo Bank Ltd refused to refund him for multiple payments abroad, which he said he didn't authorise.

What happened

On 6 March 2024, a new token, for a mobile payment service, was set up on Mr R's Monzo account.

To do this, the person setting this up needed Mr R's full card number and security code. This generates an item for approval in the customer's app, for them to tap "add card" then enter their card PIN to approve their card on the new mobile payment service wallet. The screen for adding the card says "If you didn't request this please contact us." When the new token has been added, a text message is sent to the customer to confirm their card has been set up on the mobile payment service.

Between 30 March and 3 April, there were multiple debits from Mr R's Monzo account, including one near the end of the transactions on 3 April which was rejected on grounds of insufficient funds. These all took place in two different countries abroad. The total came to over £2,600 and it put Mr R's account into overdraft.

On 3 April, Mr R contacted Monzo by chat around 6.30pm. He said he'd been hacked and all his money had gone, which he needed for his holiday the following week. Monzo did block Mr R's card about half an hour later, and told Mr R it had done this and what steps to take to be able to start using his account again. But it didn't tell him how or when the fraud claim for the missing money would progress. Mr R put in chat that he needed the fraud team to contact him, and said all Monzo had done was pass him to different people, when it should have a phone line for things like this. He asked repeatedly for a phone call. It was around midnight when Monzo chat replied that its specialists were looking into it and there was no more it could yet tell Mr R.

By 8 April Mr R still hadn't had a reply from Monzo. He decided to close his Monzo account.

On 23 April, Monzo sent a partial response to Mr R's complaint. It said the fraud was still under review, and it would pay him £20 for the delay. It did reply to Mr R's other complaint points:

- It upheld Mr R's complaint about the time it had taken the fraud team to contact Mr R;
- It upheld Mr R's complaint that it didn't call him back when he asked, and apologised for the customer service it had provided to him;
- It didn't uphold Mr R's complaint that it should have provided an upfront refund of the disputed transactions, in the same way another bank might. It said this was because it followed its own internal procedures.

Monzo paid Mr R £25 for these, making a total of £45.

On 6 May, Monzo replied to Mr R's fraud claim. But it didn't uphold his complaint and refused to refund him. It recognised Mr R believed the payments shouldn't have happened, and should have been stopped – but it said it had followed the correct processes. It said it

did have systems in place to detect fraud, but balanced these with convenient every day use of the account.

Monzo said that it provided extra security by offering mobile payment service payments, which allowed customers to make payments by biometric approval, which was how the disputed payments had been made. It said the data available, and the timeline of transactions on Mr R's account, suggested it wasn't possible for the disputed transactions to have been authorised by anyone else.

Mr R wasn't satisfied and contacted this service. He said Monzo should have informed him when the disputed transactions abroad started happening, especially when they took his account into overdraft. He said he'd been at work in the UK at the time of the transactions, which he could prove by official work documents. He said he hadn't clicked on any links or had any suspicious calls. He said his phone was protected by Face ID, and no-one else had access.

Our investigator didn't uphold Mr R's complaint. She said that all the disputed transactions were completed and authorised using the mobile payment service. The token used to make the payments had been set up on 6 March. To do this, Mr R would have had to approve the token within his Monzo app, and completed the verification using his app login details which would have been his PIN or biometrics. And then it would also have needed his full card number and verification code. There would then have been a notification to Mr R's registered device, to add his card to the mobile payment service.

The investigator said that Monzo's computer information showed that all the correct steps had been taken to set up the token, using Mr R's registered phone. And there were no other registered devices on Mr R's account. Mr R had also said he hadn't shared his card or security details, and no-one else had access to his phone. The investigator also noted that there'd been a gap of over 3 weeks between the token being set up on 6 March, and the first disputed transactions. That wasn't typical of a fraudster, who would seek to get as much as possible as quickly as possible. As there was no plausible explanation for how the token was created without Mr R's knowledge or consent, the investigator couldn't uphold Mr R's complaint.

Mr R didn't agree. He said the transactions should have flashed up on his screen when they were made, like other banking apps. He also believed Monzo should have blocked the transactions abroad and contacted Mr R to check he'd authorised them. He said he'd never used the mobile payment service. He offered to provide evidence from his work that he'd been at work in the UK at the time of the payments. He also said that Monzo should also have blocked the account when a disputed payment for £762.62 had been rejected on 3 April.

Mr R asked for an ombudsman's 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.

Who's liable for the disputed payments?

There are regulations about disputed transactions. The relevant regulations here are the Payment Services Regulations 2017. In general terms, the bank is liable if the customer didn't authorise the payments, and the customer is liable if they did authorise them. In Mr R's case, the key event is the addition of the mobile payment service to his account on 6 March,

which enabled the disputed payments to happen. So what I have to decide is whether it's more likely than not that Mr R, or a third party fraudster he didn't know, added this mobile payment service.

I've set out above the steps which added the mobile payment service to Mr R's Monzo account. And as I've explained, whoever did this had access to a great deal of Mr R's Monzo and personal information. Adding the mobile payment service needed Mr R's full card number and security code, and the card PIN. There are 10,000 possible combinations of a four-digit number, so this couldn't be guessed. Importantly, whoever set it up also needed access to Mr R's mobile, which he said was protected by biometrics - his Face ID. The setting-up process included having to click on a prompt on Mr R's registered mobile, to confirm the mobile payment service was to be added.

All this would make it very difficult for someone other than Mr R to have added the mobile payment service. He said he hadn't shared any of this information, and no-one had access to his phone. Another potential explanation might be if Mr R had been scammed. A scam is when a fraudster tricks someone into providing their security and payment information, or tricks someone into carrying out a transaction which seems genuine but in fact isn't. There are different rules about who's liable when a customer is scammed. But that's not what Mr R said happened here.

As Mr R said he hadn't shared any information; no-one could access his phone; and he hadn't been tricked into disclosing information or tricked into carrying out a transaction, I can't see how anyone other than Mr R could have set up the mobile payment service which enabled the disputed payments to be made. This means I'm not able to order Monzo to refund him.

Monzo's customer service

I find that Monzo provided Mr R with poor customer service. It kept him waiting for a very long time on chat during his initial reporting of the transactions. It did block his account reasonably promptly, but it didn't provide him with any helpful information about how long it would be before its fraud team contacted him. However long Mr R stayed on chat during the next few days, he was just told someone was looking into it. Mr R was clearly upset and worried about having lost the money he'd put into his account ready to go on holiday the next week. He asked for a phone call, which didn't happen. And it took a very long time for the fraud team to contact him – he raised his claim on 3 April and it was 6 May before Monzo replied to the fraud element of his claim. While Monzo didn't have to provide a temporary refund while it investigated, I find that it treated Mr R poorly throughout. It did pay Mr R a small amount of compensation, but it's understandable that Mr R was so frustrated and distressed by Monzo's poor customer service that he decided to close his account.

Should Monzo have blocked the payments?

Mr R has argued that Monzo should have blocked the payments abroad when they started to happen. But banks do have to balance stopping payments which may be fraudulent, against not inconveniencing customers who want genuine payments to be processed promptly.

Here, the mobile payment token had been properly set up, and it had also been on Mr R's account for several weeks before the disputed transactions. Fraudsters tend to take money fast, as quickly as they can, to maximise their gains before their action can be spotted and stopped. Here, the initial payments in late March were relatively small, starting with £50.56 than £117.50. And the subsequent payments were spread out over a few days. Customers do make payments abroad, too, and Mr R's statements show that he'd made a series of other payments in a different country in August 2023. And Monzo wasn't obliged by the

regulations to provide phone notifications of outgoing payments made, which Mr R said he wanted. So I can't say that I think it's unreasonable that Monzo's security systems didn't pick up and block the disputed March 2024 payments on Mr R's account.

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 R to accept or reject my decision before 25 February 2025.

Belinda Knight
Ombudsman