

The complaint

Mr E has complained Prepay Technologies Ltd won't refund him for transactions he didn't make.

What happened

Mr E holds an account with Prepay Technologies by virtue of using their Monese app. After a night out with a colleague in July 2024, Mr E had his phone stolen. This happened after he was approached by someone asking him to support his business on social media. Immediately after Mr E opened his phone, it was snatched.

Mr E reported this theft to the police and used his laptop to see if he could locate his phone. He had emails confirming that his phone passcode had been changed along with the find his phone service being deactivated. The following day Mr E discovered that someone had accessed one of his two bank accounts and transferred money to his Monese account then had used his card details to make six transactions.

Mr E asked Prepay Technologies to either refund the money spent or get these transactions refunded through the chargeback mechanism. They wouldn't do so as they believed they could show the payments were properly authenticated using Mr E's biometrics.

Mr E brought a complaint against Prepay Technologies to the ombudsman service.

Our investigator didn't believe there was sufficient evidence to show the payments had been authorised by Mr E in accordance with the Payment Services Regulations 2017. He asked Prepay Technologies to refund Mr E and give him £150 for the way the complaint was handled.

Prepay Technologies were unhappy with this outcome and felt this had been reached just because they couldn't show whether the biometrics had been updated or not. They didn't believe this was their issue. They've asked an ombudsman to consider Mr E's complaint.

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 outcome as our investigator. I'll explain why.

Where there is a dispute about what happened, I have based my decision on the balance of probabilities. In other words, on what I consider is most likely to have happened in the light of the evidence.

It's worth stating that I can choose which weight to place on the different types of evidence I review, including technical evidence, provided by financial institutions along with complainants' persuasive testimony.

When considering what is fair and reasonable, I'm required to take into account: relevant law

and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the relevant time.

The regulations which are relevant to Mr E's complaint are the Payment Services Regulations 2017 (PSRs). These primarily require banks and financial institutions to refund customers if they didn't make or authorise payments themselves. There are exceptions to this and that would include if the customer had acted with gross negligence or intent to allow any security details – including the card and PIN or online banking details – to be used by someone else.

I note Prepay Technologies has provided no evidence to suggest Mr E acted in a grossly negligent manner, but they have stated that they believe Mr E's unchanged biometrics were used to access his account and make the disputed transactions.

Our investigator asked whether Prepay Technologies could show whether the biometrics had been updated or not, but they confirmed they couldn't do that.

Firstly – and unlike Prepay Technologies who initially said they believed Mr E but then changed their mind – I don't doubt Mr E has been the victim of a crime. I've seen he reported this to the police, got emails from Apple confirming a change in his passcode and deactivation of his find his phone function. I can also see he got a new SIM and set up a new device linked to his various accounts.

I'm also aware of the various means thieves use to try and get the phone owner to authenticate their phone and get access to banking apps.

Overall, I don't believe Mr E authorised these transactions. I say this because:

- In terms of the PSRs, I am satisfied there is a clear point of compromise. Mr E's phone was open when it was stolen.
- There's evidence of compromise of Mr E's other accounts. One of his other banks also confirmed they successfully blocked transactions that were subsequently made using Mr E's Monese app.
- The disputed transactions clearly resemble fraudulent transactions.
- I've considered whether this was potentially first-party fraud, but I can see no reason why this would be the case. Mr E hadn't used this account for the previous year so I'd have to wonder why it would strike him to use this fraudulently now. This would seem quite a complicated arrangement just for what, even Prepay Technologies agrees, is a relatively small-scale fraud.
- That's one of the reasons that I think it's most likely this was an opportunist fraud.
- I can reassure Prepay Technologies that it isn't only the fact that they can't show whether the biometrics were changed or not which convinces me these transactions were unauthorised. But it's certainly true that the biometrics may well have been changed and they've been unable to provide any evidence to demonstrate this one way or another.

Putting things right

As I'm satisfied these transactions weren't authorised, Prepay Technologies will need to refund Mr E, along with 8% simple interest for the time he was without his funds.

Our investigator asked Prepay Technologies to give Mr E £150 in compensation. I'm not going to be asking them to do this. As I've already explained to Mr E, financial institutions are allowed to reject customer's fraud claims, and it wouldn't be fair to penalise them for doing this. There's no evidence that Prepay Technologies delayed in responding to Mr E as he'd received their final response within a fortnight of the fraud taking place.

My final decision

For the reasons given, my final decision is to instruct Prepay Technologies Ltd to:

- Refund £2,480.70 to Mr E; and
- Add 8% simple interest a year to that amount from 12 July 2024 to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 10 October 2025.

Sandra Quinn
Ombudsman