

The complaint

Miss L complains that Monzo Bank Ltd (“Monzo”) failed to refund transactions she didn’t recognise, leading to a reduction in her credit rating.

What happened

In early January 2024, Miss L noticed three transactions had been made from her Monzo account to a social media site (I’ll refer to them as T). One transaction took place 26 November 2023 and the other two on 17 December 2023, for a total of £49.97. Miss L didn’t recognise the payments and contacted Monzo about the issue. Miss L confirmed she still had her card and didn’t let anyone else use it, although she said, at one time, she’d mislaid her purse with her card in it at work.

Miss L discussed the transactions and was told by Monzo that their fraud team would deal with the matter and that her cards had been frozen. There was a discussion about the balance on the account which at the time was in an overdraft.

Monzo made a temporary refund of the disputed payments and used a chargeback process to contact the seller of the goods. In March 2024, the seller defended the three payments and provided evidence to Monzo that three items were ordered using Miss L’s card details and were delivered to her home address. Monzo then wrote to Miss L and asked her to confirm that she didn’t recognise the payments in order to continue investigating the matter. A follow up was sent to Miss L for her to respond and advised that without a response (by a given date) from Miss L, nothing further could be done, and the temporary refund would be taken back.

Nothing was received from Miss L and once the date for a response expired, Monzo wrote to Miss L and advised her that two of the refunds were going to be taken back and the third had already been refunded by the merchant. Monzo took back the refunds after a 14-day notice period had elapsed.

The following month, Miss L raised the issue of the charges and her overdraft, telling Monzo that she didn’t use the Monzo card. Monzo explained to Miss L that the overdraft was related to the failed chargeback request.

In May, Miss L spoke with Monzo and again raised the overdraft, telling them that she didn’t use her account. She was under the impression that the three transactions had already been dealt with. Miss L informed Monzo that she didn’t use T for purchases like the ones she’d disputed. She also said she hadn’t received any deliveries from T.

Further calls were held and Miss L continued to deny making the payments and thought her account had been closed at the time. She couldn’t understand how there was an overdraft.

Monzo sent numerous messages to Miss L advising her that there was an outstanding overdraft and asking for payment. Later messages also advised that the account was due to be closed and would be defaulted if no payment was made by a given date (2 October 2024).

Miss L eventually paid the outstanding overdraft prior to 2 October 2024. Miss L complained to Monzo about their treatment of her situation and later reported that her credit score had dropped and believed it was Monzo's reporting to the credit reference agencies that was responsible.

Monzo investigated Miss L's complaint and didn't think they'd been unfair. Miss L was unhappy with their conclusion and brought her complaint to the Financial Ombudsman Service for an independent review. An investigator was assigned to look into the matter and asked both parties for information about the issue.

Miss L believed that her account had been closed (when she first raised it) and Monzo shouldn't have continued to apply charges towards her account. She denied making payment to T and was told by another bank that her credit rating had gone down due to Monzo's reporting. Miss L thought it was unfair that Monzo caused her rating to go down, even though she'd paid the overdraft prior to the date mentioned in the message.

Monzo provided details of the payments which used Miss L's card, a report of their investigation into the disputed transactions, evidence provided by T and copies of calls. Monzo advised that in order to close the account (which Miss L believed she'd asked for), any outstanding overdraft had to be cleared. Also, that the account closure could be actioned by the user (after the debt was cleared).

After reviewing the evidence, the investigator concluded that Monzo had acted fairly. It was commented that the evidence indicated Miss L had authorised the transactions and Monzo had repeatedly informed Miss L about the outstanding overdraft. It was further commented that Monzo had advised Miss L that her credit score could be affected given the length of time she was in an unarranged overdraft.

Miss L disagreed with the investigator's conclusions and asked for a further review of her complaint. She commented that:

- She paid the outstanding overdraft prior to the date supplied by Monzo. Miss L believed Monzo updated the credit reference agencies before receiving her payment.
- Miss L sent a summary of her concerns and complaint to Monzo where she asked Monzo to reinstate her credit limit and an apology for how Monzo had treated her.

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.

Miss L has denied making three transactions to T. So, I'll first need to determine if the payments can be considered authorised or not.

The relevant law surrounding authorisations are the Payment Service Regulations 2017 and the Consumer Credit Act 1974. The basic position is that Monzo can hold Miss L liable for the disputed payments if the evidence suggests that it's more likely than not that she made them or authorised them, but Monzo cannot say that the use of the card for online payments conclusively proves that the payments were authorised.

Unless Monzo can show that consent has been given, it has no authority to make the payment or to debit Miss L's account and any such transaction must be regarded as

unauthorised. To start with, I've seen the bank's technical evidence for the disputed transactions. It shows that the transactions were authenticated using the payment tools issued to Miss L.

It's not my role to say exactly what happened, but to decide whether Monzo can reasonably hold Miss L liable for these transactions or not. In doing so, I'll be considering what is most likely on a balance of probabilities.

The three payments were made using Miss L's payment card. Monzo have provided evidence of those payments, including details of the merchant (T). That shows the three purchases were sent to Miss L's address, including delivery details. I acknowledge Miss L has said she didn't make the purchases or receive anything, but the evidence here indicates that there were three transactions and products delivered to her home address.

I've also thought about the type of payments – here they were for relatively low amounts and made over different dates. This isn't particularly indicative of how a stolen card is used and I would have expected additional attempts to use it until Monzo (or Miss L) blocked the card. Usually, such card details are used as quickly as possible before they're noticed as a thief wouldn't know when the owner would realise it was being used fraudulently. Given the pattern of payments and their delivery data, I don't think that the brief period where Miss L mislaid her card is the reason for these payments.

Additionally there's an undisputed payment to T made the month prior, although Miss L told Monzo she didn't (use her card) or make this type of payment to T. Miss L also used an overdraft on a number of occasions prior to the issue with the disputed transactions. Given that Miss L didn't give her details to anyone else, still had her card, payments were made for low value items and T provided evidence they were delivered to Miss L's address - I think it's more likely than not that the transactions were authorised, and it was both fair and reasonable for Monzo to hold Miss L liable for those payments.

Chargeback

Miss L raised the unrecognised transactions with Monzo and they asked T for evidence about the payments after providing a temporary refund to Miss L. Chargebacks are a way for a bank to change the transactions on behalf of their customer (Miss L). T were able to defend the payments and provided evidence of them. Miss L was asked to respond to Monzo so they could continue the process, but she didn't reply. As this type of process is governed by the rules set out by the payment processor, once the time limits have expired, the chargeback fails, and any refund is taken back.

Monzo wrote to Miss L at various stages throughout the chargeback process, explaining what was happening and what they required. Once the time limits had expired, Monzo advised Miss L they'd take the refund back after a suitable period of time. I think Monzo's approach here was reasonable and it was apparent from their communications and various conversations with Miss L that she was aware of the ongoing situation.

Credit Rating

Monzo are required to report how an account operates and if payments are missed (as they were for several months), this would probably have a detrimental impact on Miss L's credit rating.

Miss L was (regularly) advised that by leaving the overdraft unpaid, she risked damage to her credit rating. She was told that her account would be defaulted by the October deadline. I acknowledge that Miss L paid her overdraft before this date, this payment avoided the

account being defaulted which would no doubt have had an even greater negative impact on her rating.

I'm satisfied Monzo acted fairly here, they were under an obligation to report how the account was operated by Miss L. They did this whilst informing her of the likely impact if the issue continued to be left unresolved.

Summary

From reading the information provided by both parties, it appears that Miss L was under the impression the matter of the disputed transactions had been resolved. Whilst I acknowledge her initial belief there was nothing further for her to do, the repeated messaging from Monzo was clear that the issue wasn't resolved. Miss L was in contact with Monzo and was aware of the problem. The delay in dealing with the overdraft led to Monzo's reporting to the credit reference agencies. As the account couldn't be closed until there was a nil balance, I don't think Monzo acted unfairly with their handling of the situation.

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 Miss L to accept or reject my decision before 27 January 2025.

David Perry
Ombudsman