

## **The complaint**

Mr S complains Monzo Bank Ltd won't refund a transaction that debited his account which he says he did not make or authorise.

## **What happened**

Mr S says he was assaulted, and his phone was stolen at about 12am on 18 April 2024. Mr S had spent the evening watching football in a pub.

Four transactions were made using Apple Pay on Mr S' Monzo account. Monzo agreed to refund three of them, except one transaction for £500. It said this was because this payment had been made following a credit from Mr S' overdraft (which he'd said the thieves had extended) on an account with another bank, L. Monzo said this meant L was responsible for refunding Mr S.

Following a complaint, Monzo still refused to refund Mr S' transaction. So Mr S referred his complaint to our service.

An Investigator considered the circumstances. She recommended the complaint was upheld because she didn't think Mr S had authorised the £500 transaction and she didn't agree with Monzo's suggestion that L was responsible for refunding it. She recommended Monzo refund the £500 and pay 8% interest, along with £200 in compensation.

Monzo didn't accept the Investigator's findings. It maintained L was responsible for refunding the £500 because Mr S had said the thieves had extended his overdraft to make the payment. And it didn't agree compensation was appropriate.

As Monzo didn't agree, the complaint's been passed 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.

Under the Payment Services Regulations 2017 ("PSRs"), generally, Monzo can hold Mr S liable for transactions which the evidence suggests he made or authorised.

Mr S reported four transactions made from his Monzo account following the theft of his phone as fraudulent. Monzo have refunded all but one of these. It seems to me therefore, that Monzo appear to accept that Mr S did not authorise the three other transactions and that they were indeed made by an unauthorised party. Though it hasn't said explicitly, Monzo also doesn't appear to be suggesting that Mr S authorised, or would otherwise be liable for, the £500 either. But it does maintain it isn't responsible for refunding that payment.

The first disputed transaction from Mr S' Monzo account took place at 10.58pm via ApplePay. Mr S has said, at different times, he left the pub he was in at about 11pm or 12am. Given the timing of the first disputed transaction, any reference to 12am must be a

mistake. And though inconsistent, I don't think this is unreasonable considering the circumstances of the theft or the time that's now passed. I find Mr S must have left the pub before 11pm, since the first disputed transaction took place at 10.58pm. And this transaction took place in a bar, about two minutes' walk from the pub Mr S had been in.

The last undisputed use of Mr S' Monzo account was an ApplePay transaction at 10.30pm to the pub Mr S had been in all evening.

The outstanding disputed transaction was an ApplePay payment for £500 to a takeaway shop and it took place at 2.17am. To make this transaction, the thieves would have needed Mr S' phone passcode or biometrics.

Mr S believes he was drugged because he has virtually no memory of the assault and the hours immediately afterwards. He says he didn't seek medical advice because he was leaving the country the next morning. I do find it unusual that Mr S did not seek medical advice, after having suffered an assault and suspected drugging and continued with his planned trip abroad, not knowing what the aftereffects might be. He's also been unclear about the timing of leaving the pub, but considering all the available evidence I don't think this makes a difference to the overall outcome of his complaint.

Given Mr S had used his phone to make a transaction in the pub just half an hour before the first disputed one, I find it more likely than not that either his phone happened to be unlocked when it was stolen or Mr S was observed entering the passcode. I say this because an unlocked phone, or phone to which the passcode is known, is far more useful to an opportunistic thief, than one that would require the victim to be forced in some way to open it or "hacking" – which would likely take time to do.

Mr S has told us about the disputed activity on his other bank accounts and that several large payments were attempted. He also says the thieves tried to take loans out in his name, though it seems none of these attempts were successful. Considering the pattern of transactions on the Monzo account, they do seem likely to be the actions of an opportunistic thief using the account in nearby places initially and then, given what we know about the use of Mr S' other accounts, moving money from one of Mr S' other accounts into Monzo – because transactions were being blocked from that other account.

Overall, I haven't seen anything that would suggest Mr S authorised the £500 transaction in any way, or that he acted with gross negligence which enabled the transaction to take place.

Monzo is relying on s.83 of the Consumer Credit Act 1974, which says:

- (1) The debtor under a regulated consumer credit agreement shall not be liable to the creditor for any loss arising from use of the credit facility by another person not acting, or to be treated as acting, as the debtor's agent.

Monzo says L is responsible for refunding the payment under this provision because Mr S has said the thieves extended the overdraft facility on his account with L and then sent £500 to his Monzo account. Monzo also says if Mr M paid off the overdrawn balance (which the statements show he did), then this reinforces the idea that the point of loss was at L, not Monzo.

Having considered everything, I'm not persuaded by Monzo's arguments. This complaint is about Monzo, not L. Monzo's customer, Mr S, has reported a transaction as unauthorised, which Monzo doesn't appear to dispute. So, under the PSRs, Monzo is obliged to refund that transaction. When the money was sent from Mr S' L account to Monzo, he'd suffered no loss until the thieves then spent the money from the Monzo account. By the time Mr S repaid the

overdrawn balance on 30 April 2024, the loss had already occurred because the unauthorised transaction had taken place 12 days before on 18 April 2024. So I don't consider how that payment was funded has any bearing on Monzo's obligations under the PSRs in the circumstances of this complaint.

For the avoidance of doubt, we've received evidence from Mr S that he hasn't received a refund of the £500 from L.

Mr S didn't authorise the transaction in question, so Monzo had no authority to debit his account. So I find Monzo should refund the disputed £500.

Our Investigator recommended 8% interest should be payable on the refund amount, and recommended £200 should be paid in recognition of the distress and inconvenience since Mr S has been without access to his £500.

Though I don't consider how the disputed payment was funded has any bearing on Monzo's obligation to refund it, I do consider it affects other aspects of how to put things right. Mr S has provided statements which show the overdrawn balance on the L account was paid off in full about two weeks after the disputed transactions took place. So although initially Mr S hadn't lost his own money following the disputed transaction, he then paid off the overdraft. Had Monzo refunded him more promptly, he could have used this to repay the overdrawn balance of the account with L, rather than his own funds. For this reason, I do find 8% interest on the £500 is appropriate in the circumstances.

Turning to the compensation, I don't agree with our Investigator that compensation is appropriate for Mr S not having access to the funds, since that is the purpose of 8% interest being added to the refund. But I don't consider Monzo had a valid reason to refuse Mr S a refund and so it should have refunded the £500 at the same time it refunded the other disputed payments, which I can see happened on 25 April 2024, so Monzo has delayed Mr S an appropriate refund.

By its very nature, being the victim of fraud is distressing and inconvenient and I can see that the theft of Mr S' phone happened at an already stressful time in his life. I'm sorry to hear of the impact he's told us this incident had on his mental health. So some of the impact on Mr S will be a natural consequence of being a victim of fraud. But I find some distress and inconvenience has been caused by Monzo refusing to refund the disputed transaction without an appropriate reason. So I require Monzo to pay Mr S £200 in recognition of this.

### **My final decision**

For the reasons I've explained, I uphold this complaint.

To put things right, I require Monzo Bank Ltd to:

- Refund £500 to Mr S.
- Monzo should pay 8% per year simple interest on the refund amount from the date it was paid until the date of settlement. If Monzo considers it's obliged to remove tax from this interest, it should tell Mr S how much it has taken off. Monzo should give Mr S a certificate showing how much tax it's taken off, if Mr S asks for one.

- Pay Mr S £200 in recognition of the distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 12 August 2025.

Eleanor Rippengale  
**Ombudsman**