

## The complaint

Mr J complains Monzo Bank Ltd ("Monzo") wouldn't refund, or query, a transaction debited from his account from a betting company. He also complains that Monzo closed his account.

## What happened

In February 2023, Mr J was paid the winnings of two separate bets he'd placed with a gambling company - who I'll now refer to as "C". Mr J says the winnings or refunds related to two identical bets, and he was entitled to the two payments made by C into his account of £467.67 each.

In March 2023, C debited one of the payments of £467.67 from Mr J's account. Mr J then contacted Monzo to dispute this transaction as he hadn't authorised it. Monzo asked Mr J to provide it with evidence so that it could present this to C and raise a chargeback claim. This included evidence Mr J had tried to resolve the matter directly with C, and of him placing the bets and getting paid out on them in the way he said he had.

Mr J said he couldn't provide any paperwork relating to the bets given they were placed in one of C's stores. He also sent Monzo screenshots of email responses from C which, in summary, said they couldn't find any details of debit card transactions in its store for March 2023.

As Mr J couldn't provide the evidence Monzo wanted, it declined his claim and said it wouldn't raise a chargeback as there was little prospect of it succeeding. C taking this payment led to Mr J's account going into an authorised overdraft. Monzo asked Mr J to make provision to repay this and if he didn't, it could adversely affect his credit rating.

Mr J complained. Monzo upheld Mr J's complaint in part. In summary, it made the following key points:

- Due to the demand on its services, Monzo wasn't able to respond to Mr J's in-app messages as quickly as it would have liked to. It's sorry about this
- C had authorisation to collect money from Mr J's account in the way it did because of his initial payment to them. And it appears as though this formed part of the payment and what C were owed, so Monzo were unable to decline it
- Chargeback disputes are a voluntary scheme for banks, which means Monzo isn't obligated to raise a dispute. But it will try and help where possible and reasonable to do so by raising it with the merchant acquirer. But without the relevant evidence Mr J was asked to provide, the merchant acquirer would turn down the claim
- Monzo only has the one opportunity to raise a chargeback. So if it doesn't get it right the first time, it reduces the chances of getting the money back for Mr J
- £50 compensation has been provided to Mr J for the distress and inconvenience its customer service failing caused him

Unhappy with Monzo's response, Mr J referred his complaint to this service. Mr J was also notified by Monzo around May 2023 that it had decided to close his account in two months' time.

One of our Investigator's then looked into Mr J's complaint. They initially upheld the complaint as Monzo had failed to send this service enough information. But later they changed their mind based on new information.

Both parties are aware that our Investigator amended their thoughts on several occasions. For pragmatism, I will summarise their last position, and recommendations here:

- Monzo should refund Mr J, as the withdrawal of £476.67 wasn't authorised by him. Mr J has provided enough information to show he was entitled to both payments. Monzo should pay 8% simple interest on this payment from when it was debited, and refund any charges
- Monzo closed the account in line with its terms and conditions and doesn't have to give Mr J a reason for this

Mr J agreed with what our Investigator said, but Monzo didn't. Monzo didn't agree that this complaint should be treated as a disputed transaction under the Payment Service Regulations 2017 (PSR's).

Monzo added that the refund from C was a reversal under the same lifecycle of the payment. And there is no route to raise a chargeback as Mr J hadn't suffered a loss. Monzo said its likely C made an error in taking or reversing the payment; and this is a matter best settled directly between C and Mr J.

As there was no agreement, this complaint was passed to me to decide. After reviewing all the evidence and arguments, I asked our Investigator to get further information from C directly. In short, C made the following key points:

- Mr J was entitled to both payments paid of £476.67
- C had reversed one of the payments in March 2023 in error as it mistakenly believed it was a duplicate transaction and not just another bet pay-out
- The amount of £476.67 has been paid to Mr J

Our Investigator relayed this information to Monzo. They added that Mr J was entitled to the funds and had Monzo contacted C as it ought to have, it's likely the matter would've been resolved much sooner. And as Mr J has now received the funds from C, Monzo should still pay 8% simple interest from the date of the debit till it was paid. They also said that it was likely Monzo wouldn't have closed the account had it known C made an error. Because of this it should pay Mr J £150 compensation for the distress and inconvenience caused.

Monzo didn't agree, saying it couldn't have disputed the payment as Mr J's position was 'zero' – that is, no loss suffered. So Monzo argue there isn't a set process or regulation that obligated it to have taken any action. Monzo also said, under the merchant acquirer's terms, that it doesn't have a chargeback right when:

- *A customer requests a refund, withdrawal or transfer*
- *A customer is disputing the terms and conditions or access to their account*
- *A customer is disputing their winnings, gains or losses*
- *A customer is disputing any other use of the tokens*

Monzo maintained that it acted in line with its terms when closing the account regardless of C's error.

As there was no agreement, this complaint was passed to me to decide. I then sent both parties my first provisional decision in which I set out what I was planning on deciding. For ease of reference, here is what I said:

#### First Provisional decision

*"I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.*

*If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything Mr J and Monzo have said before reaching my decision.*

*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 am planning on upholding this complaint in part. I'll explain why.*

#### *Chargeback, refund, and authorisation*

*I agree this isn't a complaint that needs to be considered under the PSR's and what they say about authorised payments. The question then arises whether Monzo should have raised a chargeback with the merchant via the merchant acquirer - the business that gives the merchant the facilities to accept card payments.*

*The chargeback system is intended to resolve settlement disputes. So most of the chargeback reasons in the card scheme rules relate to problems with settlements. But behind some of those settlement disputes, there may be something that's gone wrong between a cardholder and a merchant. So the chargeback scheme might be able to be used to try to resolve that problem, without needing to resort to more formal resolution, such as court action.*

*Monzo say the chargeback method is voluntary, so it isn't under any obligation to raise one. But it is still considered good practice to do so. Initially, Monzo asked for evidence from Mr J so that it could raise the chargeback and have a good prospect of succeeding. But as Mr J couldn't do this, it didn't raise or make any query with the merchant acquirer and/or C.*

*Mr J has always maintained a consistent testimony that he had been paid out on two identical bets after placing them manually using betting slips in one of C's stores. So it's understandable why he wouldn't have kept those records given the time that had passed. Mr J also sent Monzo copies of emails with C after being told to take it up with them directly. These emails, though not the most coherent, do suggest Mr J was making every endeavour to show he had legitimately been paid out on the two bets and that the reverse payment was an error and not authorised by him.*

*Having given this matter careful consideration, I don't think it was unreasonable for Monzo not to act on the initial emails sent to it by Mr J from C. Nor do I think it was, at that stage, unreasonable for Monzo to want better information to raise the chargeback.*

*But I think Monzo should have done more when Mr J sent it an email from C dated 22 May 2023. That email makes it clear Mr J was entitled to the two payments of £467.67. After all, before formerly raising a chargeback Monzo could simply have asked for more information from the merchant via the merchant acquirer. Given what our Investigator was able to discover from C by doing this in a relative timely manner, I'm persuaded this would have led to the discovery that C had made an error.*

*In reaching the above finding, I note Monzo are correct in saying the merchant acquirer's rules say chargeback rights do not apply to 'winnings, gains or losses'. But even with that in mind, I think it would have been fair and reasonable for Monzo to have acted on the information and made an enquiry to help resolve the matter.*

*Mr J did suffer a loss given money he was entitled to was erroneously taken by C from his account, which left him in an unauthorised overdraft to which its likely interest and charges were added. I note also that Monzo told him that this may affect his credit rating.*

*I'm persuaded that Monzo should refund any such fees and charges from the amount Mr J owes it. And if Mr J has paid this off, it should refund him any such charges and interest. If Mr J hasn't paid off his debt with Monzo, given it appears he has been paid the money by C, he should pay the debt off and any adverse credit registered against him should be removed and amended.*

*I can't say exactly when Monzo would've been told C made the error it did. But Mr J has been deprived of access to his funds longer than he should have because of Monzo not doing what it ought reasonably to have. So I think it should pay Mr J 8% simple interest from the 22 May 2023 – given that's when it knew Mr J was entitled to the payment – until settlement.*

*Monzo isn't culpable for most of the distress and inconvenience Mr J suffered given it was C who made the error. But, like I've already said, had Monzo acted more reasonably and in a timely way to the information it was presented in May 2023, its likely Mr J would've had his money back sooner. So given the distress Mr J has explained, I'm persuaded £100 compensation is fair compensation.*

#### *Account closure*

*Monzo is entitled to close an account just as a customer may close an account with it. But before Monzo closes an account, it must do so in a way, which complies with the terms and conditions of the account.*

*The terms and conditions of the account, which Monzo and Mr J had to comply with, say that it could close the account by giving him at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.*

*Monzo has explained and provided information for why it closed Mr J's account. I'm satisfied from reading this that Monzo applied its terms fairly when deciding to close the account, and that this would still have been the case even if it had known of C's error at the time.*

*I can understand why Mr J wants a detailed explanation, but Monzo is under no obligation to do so.*

#### *Putting things right*

*So, to be clear, based on what I'm planning on deciding, Monzo would need to do the following to put things right:*

- *Pay Mr J 8% simple interest on the account balance from 22 May 2023 up until he was paid the money back\**
- *Refund Mr J any fees, charges, and interest its applied to his account once it went into an unauthorised overdraft*
- *Amend Mr J's credit file so that it didn't show it was in debt from March 2023*
- *Pay Mr J £100 compensation*

*\*If Monzo considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr J how much it's taken off. It should also give Mr J a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate"*

Mr J agreed to what I said I was planning on deciding. Monzo did not, and it made the following key points for me to consider:

- Monzo simply don't have chargeback rights with Mr J's claim
- Historically Monzo were able to utilise a retrieval request via the card scheme operator, but such a scheme no longer exists. So there isn't a process for Monzo to contact C via the merchant acquirer (C's bank) to obtain any information outside the chargeback scheme. To show this process was removed, Monzo provided related evidence
- So, with the above in mind, Monzo has no way to obtain information as C would not provide it outside the chargeback process

After carefully considering these further comments and looking into things more, I sent both parties my second provisional decision in which I said I was now planning to not uphold this complaint. For ease of reference, here is what I said:

#### Second Provisional decision

*"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, and having considered new arguments and evidence, I'm now planning on not upholding this complaint. I'm now satisfied Monzo had no recourse to the chargeback system. My reasons in more detail are:*

- *Mr J's claim related to funds obtained through the course of gambling winnings, this is not a permitted activity under the card scheme operator's rules*
- *C couldn't provide Mr J with an accurate response that it had made an error until the intervention of this service. And so it refunded Mr J for its error. Its most likely Monzo wouldn't have been able engage with C through the chargeback system due to the type of payment this related to – winnings from gambling. And, I'm now satisfied it had no other mechanism to do so given the evidence Monzo has given me*
- *My previous findings were predicated on the likelihood that Monzo's interaction with C would have yielded the same results as this service was able to. That is, C would've discovered it had made an error despite not reaching this outcome when Mr J asked about it. But given Monzo's likely inability or barriers to contact C for the reasons above, I can no longer say it should have acted and thereby communicated*

*with C through a formal mechanism. That means I can't reasonably conclude Monzo caused Mr J to be deprived of his funds for any period*

*Neither party has commented on my finding that Monzo acted fairly in closing Mr J's account. So I have no reason to change my thoughts on this part of Mr J's complaint.*

*As I'm no longer upholding any element of the complaint points related to Monzo not doing enough to raise the claim through the chargeback system or any other method, I no longer see any basis to award any compensation including 8% for any deprivation of funds.*

*So, to be clear, I'm satisfied Monzo hasn't done anything wrong in relation to the complaint I'm deciding here.*

*Monzo may choose to amend any adverse filings it may have made with credit reference agencies given it knows Mr J's account was erroneously debited through no fault of his own. Mr J is still liable for any debt he owes Monzo, particularly as he has now been able to recover the payment from C.*

*It's likely Mr J will be disappointed with what I am now planning on deciding.*

*He may decide that he wants to take this up with C, given it was their error that led to this situation"*

The deadline for Mr J and Monzo to provide further comments or evidence has now passed. Monzo agreed with what I said I was planning on deciding. Mr J didn't agree, and in summary, made the following points:

- Monzo denied the chargeback as it deemed it as not valid. But it should've been raised when Mr J first raised the matter, given what C said about its error
- What information hasn't been received?
- If the issue with C hadn't happened, the account wouldn't have been closed
- Mr J questions what new evidence Monzo has provided that has changed the outcome of this complaint

I will now decide this 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.

For the reasons in my second provisional decision - as above – I have decided not to uphold this complaint. In doing so, I will respond to the further points Mr J has made in response to my last provisional decision:

- Mr J's claim related to funds obtained through the course of gambling winnings, this is not a permitted activity under the card scheme operator's rules. Monzo also had no other mechanism to do so. So even if Monzo attempted a chargeback, I'm persuaded it wouldn't have been able to do so
- Monzo provided compelling and persuasive evidence to this service that it would never have been able to raise a chargeback for Mr J. This included third-party

information about request retrievals and chargebacks not being possible

- I've already said Monzo was able to close the account in the way it did despite the issue with C. I haven't been provided any new evidence to change my mind on this point

There isn't any information that I've asked for that hasn't been provided.

### **My final decision**

For the reasons above, I have decided not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 17 January 2025.

Ketan Nagla  
**Ombudsman**