

The complaint

Miss M has complained that Monzo Bank Ltd are holding her liable for unauthorised payments and a debt taken out fraudulently in her name.

What happened

In September 2021, Miss M tried to close her Monzo account. The account had, by that point, become effectively dormant. She didn't quite finish the procedure to close the account, so it remained open.

In October 2021, Miss M's account received a £2,500 loan from Bamboo, an external loan company, which Miss M says was applied for fraudulently in her name. Someone also applied for a £100 overdraft on the Monzo account. The balance of the loan, Miss M's own £5 balance, and the £100 overdraft limit were all transferred away to a third party. This was done on a new, unverified device, which is linked to other fraud.

Monzo pursued Miss M for the overdraft balance, and Miss M informed it that the balance was fraudulent at least by July 2022. However, Monzo repeatedly delayed things and there were multiple customer service issues.

Monzo has declined to help, preferring to shift liability to the loan company, and saying that it didn't receive Miss M's fraud report until December 2022, which if true would've been more than 13 months after the disputed payments. It sold the overdraft debt on.

Our Investigator looked into things independently and upheld the complaint. Monzo didn't agree, so the complaint's been passed to me to decide.

In the meantime, we spoke to the loan company, Bamboo. In view of the information provided, Bamboo kindly agreed to remove Miss M's liability for the loan and remove it from her credit file.

I sent Monzo and Miss M a provisional decision on 17 December 2024, to explain why I thought the complaint should be upheld. In that decision, I said:

As Bamboo have now kindly agreed to remove Miss M's liability for the loan, and she will no longer be asked to repay the loan, I do not need to consider whether Monzo needs to reimburse the transfers of the loan funds for her.

I will consider the remaining matters: whether Monzo can hold Miss M liable for the overdraft debt and the loss of her £5 balance.

Monzo says that Miss M reported the payments too late – more than 13 months after them. However, Miss M has provided evidence that by July 2022 at the latest, she told Monzo she hadn't used the account, she didn't have the card or app, and the balance was fraudulent. That was well within the 13 month period. Her emails with Monzo from December 2022 onwards also reference their prior communications about fraud. So I find it's most likely that Miss M did report the matter in time.

Further, based on Monzo's internal notes, it looks like Monzo reasonably understood that the account had most likely been used fraudulently. Despite this, it used the 13 month deadline – incorrectly, it seems – as an excuse to hold Miss M liable for payments and a debt which it didn't reasonably think she'd consented to. That does not seem fair or reasonable.

What's more, regardless of the 13 month reporting period for disputing payments, this complaint concerns an overdraft debt. If Monzo wishes to hold Miss M liable for a debt, then the onus is on Monzo to show that it's entitled to do so. It cannot pursue Miss M for a debt which it does not reasonably think was hers in the first place or which it cannot evidence she ever consented to taking out.

As noted, it doesn't look like there's a dispute that Miss M didn't take out the overdraft or carry out the disputed transactions. But for the avoidance of doubt, I currently think that the overdraft and the disputed payments were unauthorised, for the following reasons:

- The device used to apply for the overdraft and make the payments was a new, untrusted device, which did not complete the ID/verification process. It did not match the model of device Miss M owned, was not used for any genuine activity, and was also used for fraud elsewhere – e.g. to take over another Monzo customer's account before this. I am reasonably satisfied this was not Miss M's device*
- The IP address used was completely different to Miss M's normal genuine address and was not used for any genuine activity*
- It appears that Miss M's email address was compromised, so there's a likely and plausible way a fraudster could've acted without her consent*
- Miss M had previously tried to close this account, and it had become effectively dormant*
- Miss M did not access the account on her genuine device around the times when the overdraft was taken out or the disputed payments were made*
- I've not been given any evidence which shows or reasonably substantiates that Miss M ever consented to this overdraft*
- Once Miss M was made aware of the overdraft balance through recovery action, she reported it as fraudulent*
- The overdraft funds were sent to a third party, with no confirmation of payee, via a known fraudulent device*
- The account activity follows a pattern consistent with fraud*

I'm not currently persuaded that Miss M consented to opening the overdraft facility or to the disputed spending. So I don't think Monzo can hold her liable for those. As noted before, it does not need to reimburse the loan funds to Miss M, as the loan company has already waived her liability for those. But the overdraft balance and Miss M's own money does need redressing.

I've also considered the other losses Monzo caused to Miss M. After allowing a known fraudulent device to access her account, take out a debt in her name, and empty her funds, it seems that Monzo also:

- *Failed to respond appropriately to Miss M's earlier report(s) of fraud*
- *Continued to hold her liable for a debt it didn't reasonably think was hers*
- *Reported negative information on her credit file for years, even after Monzo was given good reason to think that the debt was not hers*
- *Substantially delayed the resolution of the matter*
- *Focused its efforts on evading liability rather than treating its customer fairly*
- *Gave poor and unhelpful customer service, such as repeatedly asking Miss M to list the disputed payments while ignoring her requests to provide a statement so that she could actually do so; or asking that she answer the same questions or carry out the same actions over and over again*

I currently find that Monzo caused Miss M considerable distress and inconvenience over many months which has needed a good deal of extra effort to sort out. Taking into account the impact of Monzo's errors, alongside our guidelines for compensation, I currently think Monzo should pay Miss M an additional £450 compensation.

I said I'd consider anything else anyone wanted to give me – so long as I received it by 31 December 2024. Both parties accepted the provisional 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.

Both sides accepted the provisional decision, and neither side have sent me any new evidence or arguments. So having reconsidered the case, I've come to the same conclusion as before, and for the same reasons as set out in my provisional decision above.

Putting things right

I direct Monzo Bank Ltd to:

- Buy back the overdraft debt, take it out of Miss M's name, confirm in writing that she is not liable for the overdraft, and write it off.
- Refund Miss M's £5 balance that was lost.
- Pay simple interest to Miss M on that £5, at the rate of 8% simple a year, payable from the date it was debited until the date it's returned. This is to compensate Miss M for the time she didn't have that money.

If Monzo considers that it's required by HM Revenue & Customs (HMRC) to deduct tax from that simple interest, it should tell Miss M how much tax it's taken off. It should also give Miss M a tax deduction certificate if she asks for one. Miss M may be able to reclaim the tax from HMRC if she doesn't normally pay tax.

- Permanently remove any record of this overdraft from Miss M's credit file and tell the debt purchaser(s) to do the same.
- Pay Miss M £450 compensation for the trouble and upset it caused.

My final decision

I uphold Miss M's complaint, and direct Monzo Bank Ltd to put things right in the way I set out above.

If Miss M accepts the final decision, Monzo Bank Ltd must carry out the redress within 28 days of the date our service notifies it of the acceptance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 30 January 2025.

Adam Charles
Ombudsman