

The complaint

Miss B complains about the way Monzo Bank Ltd handled her chargeback request.

What happened

Miss B has a Monzo current account. On 15 September 2024, she used her debit card to make a payment online to an insurance broker (the 'broker'). The payment of £218.27 was a deposit for motor insurance (the 'first payment'). The insurance was made on behalf of her boyfriend for an insurance policy to cover his work van. However, the broker applied the funds to an outstanding debt he owed for a previous policy.

Miss B contacted Monzo asking it to help recover the funds she'd paid. She had initially contacted it about a subsequent payment (the 'second payment') of £100 which the broker had also applied to the outstanding debt. The second payment was approved via automation which Miss B disputed she'd authorised, so Monzo agreed to initiate a chargeback here. However, Monzo didn't agree to pursue a chargeback in relation to the first payment as it said Miss B had confirmed she'd authorised the payment, which was made using her debit card through the broker's website. Monzo didn't consider Miss B had provided sufficient evidence for it to pursue a chargeback. As part of its considerations, Monzo had used the documents submitted by the broker in relation to its defence to the second payment chargeback.

Miss B complained but Monzo maintained its position, so she referred her complaint to our service. Our investigator didn't recommend upholding the complaint. In brief, they didn't think Miss B's chargeback had a reasonable chance of success, so they didn't think Monzo had acted incorrectly for not pursuing it.

Miss B disagreed and asked for an ombudsman's decision on the matter.

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.

I will note at the outset that the only chargeback payment I'm considering in this case is related to the first payment. Miss B's chargeback request in relation to the second payment doesn't form part of this complaint.

The chargeback process is relevant in this case. This is a way in which payment settlement disputes are resolved between card issuers such as Monzo and merchants such as the broker. They are dealt with under the relevant card scheme rules of the card scheme operator, who in this case is Mastercard. The Mastercard chargeback rules cover matters such as what kinds of disputes can be pursued, the kind of evidence required, and the timeframes in which things must be done. Whilst this is a voluntary scheme and banks aren't obliged to pursue a chargeback if asked to do so by the cardholder, we would still expect the card issuer (Monzo) to at least attempt a chargeback on behalf of the cardholder if there was a reasonable prospect of it succeeding.

Miss B had initially told Monzo the first payment was also not authorised. However, I can see she later clarified the position saying she had authorised the payment, but she was unhappy about the fact the broker hadn't used the funds to set up a new insurance policy. So, I don't think Monzo acted unfairly or unreasonably when it told Miss B it wouldn't treat this as an unauthorised payment and/or a fraud but rather it would review her refund request under the Mastercard's chargeback scheme rules.

I'm not entirely clear under which Mastercard chargeback reason code Monzo considered Miss B's request. But on the basis of what Miss B said about her reasons for seeking a chargeback, which was not receiving what she'd paid for, to my mind, the most likely chargeback reason code applicable to her situation was: *"Goods or Services Were Either Not as Described or Defective"*. Under this reason code Miss B would need to provide evidence that the conditions were met such as the broker hadn't honoured its terms and conditions. The only other reason code which potentially fits Miss B's situation is: *"Credit Not Processed"*, which broadly applies to situations where the cardholder was entitled to a refund but wasn't given one by the merchant.

As noted above, Monzo had access to the broker's potential defence because it submitted one in respect of the second payment chargeback request. The documents the broker provided included its terms and conditions as well as various letters addressed to Miss B's boyfriend about the outstanding debt. Under the broker's terms and conditions, among other things, it said: *"We will be unable to incept any new insurance proposals, whether purchased online or on the telephone, until any previous outstanding issue and balance is settled. Any payment received may be retained and applied against the previous outstanding balance."*

With the broker's terms and conditions in mind, I don't think Miss B's chargeback met the condition for initiating a chargeback under 'goods/services not as described'. This is because, on the face of it, the broker had adhered to its terms and conditions when it applied the payment against the previous outstanding balance.

In relation to the reason code 'credit not processed', the most relevant condition here is for the cardholder to show the merchant: *"...failed to disclose its refund policy at the time of the transaction and is unwilling to accept a return or cancellation of goods or services."* It's unclear if Miss B received the broker's terms as she wasn't party to the contract. However, given she made the payment so her boyfriend would be, I think it's enough that he, as the contracting party, agreed to the terms and conditions and knew (or ought reasonably to have known) he already owed the outstanding debt. From what I can see, because of the outstanding debt and the broker's terms and conditions, he wasn't entitled to a refund. Monzo did ask Miss B to provide evidence of being entitled to a refund under the broker's terms, but she was unable to do so.

All in all, I don't think Miss B's chargeback met the criteria for the relevant chargeback reason codes. I think any chargeback that was initiated on her behalf by Monzo would more likely have been defended by the broker given it had done so in relation to the second payment chargeback. And from the information it sent, and the fact Miss B was unable to provide any further evidence in response to Monzo's request, I think her chargeback wouldn't have had a reasonable chance of success. So, I don't think Monzo acted unfairly or unreasonably when it declined to pursue a chargeback on her behalf.

Finally, I appreciate Miss B thinks Monzo should have done more to help because the debt wasn't owed by her. Whilst I sympathise with Miss B's situation, chargebacks aren't decided on the merits of the dispute between the cardholder and merchant. Rather it's decided on the relevant card scheme rules. Ultimately, in this case, it's the chargeback scheme (Mastercard) who set the rules and it's the conditions of these rules that need to be met

before there can be a valid reason to initiate a chargeback. And as I've set out above, I don't think she had a valid reason because she didn't meet the conditions as set out in the relevant chargeback rules.

For all these reasons, whilst I appreciate this will be a disappointing outcome for Miss B, I'm not upholding the complaint.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 24 April 2025.

Yolande Mcleod
Ombudsman