

## The complaint

Mr S is unhappy that Monzo have refused to refund transactions he said he didn't authorise.

## What happened

Mr S contacted Monzo to dispute two transactions of £17.80 made just under a month apart to a merchant I'll refer to as 'Z'.

Monzo looked into the matter but didn't uphold Mr S's complaint or provide a refund as they concluded the transactions were authorised.

Unhappy with Monzo's response, Mr S referred his complaint to our Service.

On bringing his complaint to our Service, Mr S said Monzo failed to protect him from harm, after he notified them that he didn't recognise a transaction. Mr S went on to list various rules and regulations that he thought Monzo had breached, including the Payments Service Regulations 2017 (PSRs 2017) Consumer Rights Act 1974, Dispute Resolution (DISP) and General Principles of Financial Conduct (PRIN).

Mr S explained that he previously made payments to his Z account using his Monzo account but hadn't done so in around a year. So, whilst Mr S accepted that he previously authorised payments to Z, Mr S didn't feel the recent transactions were authorised.

Monzo then explained that they held Mr S liable for the payments because they were made using open banking, there was no suggestion that Mr S's phone had been lost or stolen and no evidence of suspicious activity around the time of the payments.

One of our Investigators looked into Mr S's complaint but didn't recommend that it was upheld. In summary, the Investigator said that the transaction was inconsistent with fraud and Mr S hadn't been able to explain how a third party could have accessed his phone and Monzo account.

Mr S disagreed with the Investigator's view. Mr S explained how he authorised payments to Z previously but had not authorised the recent transactions. Mr S also asked us to consider the second payment to Z, which Monzo later consented to.

As an agreement couldn't be reached, the complaint was passed to me for a decision.

After reviewing the information on file, I asked Mr S for more information about his relationship with Z. In response, Mr S told us that whilst he previously made payments to Z, he could no longer afford them which is why he didn't want to make further payments.

I contacted Monzo for additional information including evidence showing how the second transaction was authenticated. I also asked why they blocked payments to Z after the second disputed transaction but not the first. Monzo explained that it wasn't standard practice for them to block payments as there are various reasons why a consumer may raise a dispute. However, when it became clear that Mr S couldn't resolve the issue with Z directly, Monzo felt it was reasonable to block further payments.

As Mr S also asked our service to consider a second transaction he didn't authorise I issued my provisional decision. I thought Monzo acted fairly in concluding both transactions were authorised and deciding not to refund Mr S. I gave both parties the opportunity to reply with any further comments.

Mr S disagreed with my provisional decision. I've summarised Mr S's response below:

- Mr S said he didn't reconnect or reauthorise an open banking connection in November. Mr S was experiencing financial difficulty and so wasn't in a position to make a payment.
- Mr S provided a copy of a Notice of Sums in Arrears that he'd received from Z for missing payments due on 17 November 2024 and 18 December 2024. Mr S said this calls Monzo's evidence into question and raises doubts as to whether the funds were successfully transferred between Monzo and Z.

As Mr S didn't accept my PD I've reconsidered my findings below.

### **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.

In my provisional decision I said:

*I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.*

*I've considered all the relevant rules and regulations but won't reference each of them explicitly. This is in keeping with our role as an informal Service.*

*There are multiple different ways a transaction can be made such as a card transaction, direct debit or online purchase so I need to understand how the disputed transactions were made so I can be satisfied they were authenticated.*

*Monzo said the first transaction was made through open banking. An open banking connection is set up between two accounts and allows the sharing of account information with consent from the account holder. As well as sharing information, it is also commonly used to make payments without the need to input card or account details. Consent is usually given by navigating from the mobile app you're sharing the information with, to the app you're sharing information from and logging in using your security details.*

*For the second transaction, Monzo said it was made using authority from the first transaction. I understood this to mean that the open banking connection used to make the first transaction included, or in some way gave, ongoing authority for future payments. Such as a direct debit or continuous payment authority (CPA).*

*Initially, it seemed Monzo's explanation of how the second transaction was authenticated, supported Mr S's testimony that he'd previously set up a direct debit from his Monzo account to Z. However, Mr S hasn't been able to provide any evidence showing that he had a direct debit with Z and there's also no record of a direct debit present on Monzo's internal system records. Based on this, I can't say Mr S authenticated the payment in this way. Similarly, there's no evidence the transaction was made using a CPA. I say this because Monzo have told us that any payment made under a CPA would present on the account statement as a card transaction. Having reviewed the statements I can see that the second transaction*

*didn't present as a card transaction. In fact, the statements show that both the first and second transactions state 'open banking'.*

*So, there's no evidence a direct debit has been set up between Monzo and Z and there's also no evidence to suggest the second transaction was made using a CPA. There is however evidence that both transactions were made using open banking. Therefore, in the absence of evidence to the contrary, I'm satisfied the transactions were authenticated using open banking.*

*But the PSRs 2017 state evidence of authentication alone is not sufficient to show the transactions were authorised. Under the PSRs 2017, Monzo can generally only hold Mr S liable for transactions that he either made himself or authorised someone else to make.*

*So, I've considered whether, on balance, Mr S authorised the transactions. I understand this will disappoint Mr S, but I'm satisfied he did.*

*Mr S accepts that he had an account with Z, and I've seen a copy of an email from Z advising Mr S of an upcoming payment. Mr S has also said that he'd previously set up an open banking connection between his Z and Monzo accounts and this seems to align with the earlier connection Monzo have provided evidence of.*

*I can see from the statements that payments were made to Z in early 2024 and Mr S doesn't dispute these payments were authorised. Payments then restarted in November 2024 which was the first transaction disputed by Mr S. Overall, I'm satisfied that there was a break and that a new open banking connection was made in or around November 2024.*

*Mr S hasn't said he reconnected his Z and Monzo account, so I've considered the likelihood of a third party being able to set up the open banking connection and make the payments without Mr S's knowledge.*

*For a third party to carry out the transactions they'd have needed to take – and replace – Mr S's phone without his knowledge on two separate occasions. When the third party had Mr S's phone, they'd have needed to bypass the phone's security as well as compromise Mr S's Monzo and Z mobile apps. Considering the amount of security information needed here, including facial recognition for Mr S's phone, and the fact the third party would have needed to complete this process twice, I don't find this scenario likely.*

*I've also thought about the destination of the disputed funds. It's sometimes the case that fraudsters move funds through various accounts owned by a consumer. However, in Mr S's case I've not seen any evidence that the funds were immediately moved on from Z. For this reason, I'm unsure how a fraudster would gain benefit from the funds, and whether Mr S has suffered a financial loss. It's also worth noting that the transactions were low value and made weeks apart, but fraudsters generally make high value transactions in quick succession.*

*I've also considered whether Monzo acted fairly when they chose not to block the second payment to Z. Monzo have explained that they wouldn't usually block payments to a specific merchant, even if it's requested. In the circumstances of Mr S's case, I don't find this unreasonable. I'm also pleased to see that after further requests from Mr S, and evidence of a future dated payment, to see that Monzo arranged for further payments to Z to be blocked.*

*Overall, there's no plausible explanation for how a third party was able to access Mr S's phone and apps to make the transactions without his consent. On balance, I'm satisfied the transactions were authorised and it's therefore reasonable for Monzo to hold Mr S liable for them.*

*It's clear Mr S feels very strongly about his complaint and so my decision will likely be disappointing for him. But, for the reasons set out above, I won't be asking Monzo to do anything further here.*

I'm afraid the information Mr S provided in response hasn't persuaded me to change my outcome.

Mr S has reiterated that he didn't reconnect open banking and so didn't authorise the two transactions. I appreciate what Mr S has said about not being in the position to afford the payments, but this doesn't change my earlier findings. If Mr S wasn't involved in the transactions, a third party would have needed to compromise Mr S's phone and, for the reasons explained above, I've not been provided with a plausible explanation as to how this could have occurred.

The disputed transactions were made on 1 November and 26 November 2024. The Notice of Sums in Arrears state the minimum payments of £17.80 were due on 17 November and 18 December respectfully. Mr S hasn't previously raised with Monzo that the payments weren't received by Z so that's something he'll need to contact them to discuss, before potentially coming to our service. It follows I won't be commenting on this any further.

For the reasons I've explained above I'm satisfied that it's fair for Monzo to conclude Mr S authorised the transactions and I won't be asking them to do anything further.

### **My final decision**

My final decision is that I don't uphold Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 5 March 2026.

Freyja Dudley  
**Ombudsman**