

The complaint

Mr K complains about a claim he made to Monzo Bank Ltd (Monzo) in respect of a refund not having been received from a merchant.

What happened

Mr K made a purchase from a merchant, who I'll call A. He bought a number of things, including an iPhone and the order totalled £1,000.20. Mr K paid for these items using his Monzo credit card. This complaint concerns the iPhone which cost £899.

Mr K states the iPhone was received in the wrong colour. He therefore initiated a return and arranged a courier service to send the item back to A. Mr K states he received emails confirming receipt of the return, and confirmation a refund would be processed. He did not, however receive a refund for the item.

Mr K raised a dispute with Monzo in July 2024. In August 2024, Monzo raised a chargeback dispute under the reason code "credit not processed". A defended the dispute and in October 2024, Mr K was informed by Monzo that the dispute has been rejected.

Mr K raised a complaint and Monzo didn't think it had treated Mr K unfairly when handling his dispute. So, he brought his complaint to our service. Mr K told us that the iPhone was received in the wrong colour, so he successfully returned the item within 30 days as per A's return policy. A confirmed to him that the refund had been processed, and the funds were with Monzo. Mr K said he has not been given the reasons why his chargeback dispute was rejected, his claim hasn't been considered under Section 75 of the Consumer Credit Act 1974 (Section 75 CCA), Monzo were not keen to take on his complaint, and when it did it failed to investigate it properly.

Our investigator reviewed the complaint and didn't find Monzo had treated Mr K unfairly. She said the chargeback had low prospects of success as A had shown its return process was never initiated so it was not unreasonable for Monzo to decide not to take the dispute further. She said Mr K had mentioned Section 75 CCA to Monzo so it should have considered his claim under this legislation, but even if it had, it would not have made a difference as she didn't think there was enough information to demonstrate a breach of contract.

Mr K disagreed with this outcome. Mr K felt he's demonstrated that he completed the returns process and Monzo should have pursued his chargeback further. In addition, Mr K continued to be concerned that Monzo did not consider his claim under Section 75 CCA as in having received the iPhone in the wrong colour, there had been a breach of contract. Mr K asked for an ombudsman to consider his complaint, so it has now 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.

I would like to start by saying that I have provided a brief summary of the events that

occurred above. I intend no discourtesy by this and can assure both parties that I have taken all the information provided into consideration when reaching a decision on this complaint.

In this decision, I'll concentrate my comments on what I think is relevant. If I don't comment on a specific point, it's not because I've failed to consider it, but because I don't think I need to comment in order to reach a fair and reasonable outcome. Our rules allow me to do this, and this reflects the nature of our service as a free and informal alternative to the courts.

I also think it's worth clarifying that I'm deciding whether Monzo acted fairly in assisting Mr K with his dispute against A. I'm not making a finding on the underlying dispute Mr K has with A. When considering what's fair and reasonable, I'm only considering whether Monzo acted in line with its obligations as a provider of financial services.

Chargeback

Chargeback is a voluntary scheme under which settlement disputes are resolved between card issuers and merchants, under the relevant card scheme. A card issuer will review the claim against the possible reasons for a chargeback and look at whether it would be able to make a successful claim for the customer. Card issuers do not have to submit claims and usually will only do so, if it is likely to be successful. We don't expect them to raise a claim if there is little prospect of success.

When Monzo received information about the dispute, Mr K had provided evidence to show that A had sent Mr K emails stating his return had been received and a refund would be processed. As Mr K was saying that refund was not received, Monzo's decision to use the reason code "credit not processed" when raising a chargeback dispute was a reasonable one.

A defended the dispute and provided information to show that Mr K had not used its platform to initiate a return and/or otherwise failed to engage with the returns process correctly. Mr K has provided documentation to show us that he arranged a courier service through a third-party platform which enabled him to use a well-known courier to send a parcel back to an address for A. Both of these sets of evidence are contradictory and as far as I'm aware, A offers a number of ways in which returns can be made – the method used by Mr K of arranging his own courier service is not one of them.

On receipt of this defence, Monzo needed to consider whether there were reasonable prospects of success if it continued to pursue the dispute. Having reviewed the evidence provided by Mr K and A, I think A's defence calls in to question the veracity of the information supplied by Mr K. As such, I do not find it unreasonable that Monzo found there to be little prospect of success and declined to take the claim forward.

Section 75

Section 75 CCA allows – in certain circumstances - for a creditor (Monzo) to be jointly and severally liable for any claim by the debtor (Mr K) of breach of contract or misrepresentation made by a supplier of goods and/or services (A).

Monzo tells us that it did not consider a Section 75 CCA claim because Mr K did not raise a claim correctly. Our investigator pointed out that Mr K mentioned Section 75 CCA not having been considered in one of his emails to Monzo after his chargeback dispute was declined and Monzo failed to action this. I agree with the investigator's point of view. When considering a payment dispute, a customer cannot be expected as a lay person to understand all the methods by which their claim could be considered or what Monzo's own internal process is for raising the claim. Mr K's mention of Section 75 was enough for Monzo

to be on notice that a claim should be considered under this legislation, and it failed to do so. So, I will move on to consider what would have happened had it been considered.

Mr K states the contract has been breached as he received the iPhone in the wrong colour. Even if I made a finding that the contract had indeed been breached, I don't think this would make a difference. I say this because the item dispatched by A should not be considered in isolation. A has a clear returns and refund process in place for when things do go wrong or a customer changes their mind about the purchase. If the returns process was followed correctly, it's unlikely Mr K would bear a loss from having received the iPhone in the wrong colour. A has said the refund process was not initiated and the return never received. And there is reason to doubt the evidence provided by Mr K to support his side of the claim. So, I find it unlikely the claim would have been successful under Section 75 CCA and I find there to be no detriment caused to Mr K from Monzo not having considered it sooner.

Customer service

Mr K tells us A has informed him that Monzo has already received the refund. I have seen no information or evidence that persuades me the refund was sent to Monzo by A. It is likely if this were the case that this information would have been included in the chargeback defence.

Mr K says Monzo was unwilling to progress the claim and did not consider the information properly. Having looked at the claim history and all the information available, I do not see any information which suggests this was the case. The only exception to this is Monzo's failure to consider the claim under Section 75 CCA which has been covered above.

Overall, I understand this will be disappointing for Mr K and I am not without empathy for the situation he finds himself in, but I do not find Monzo has treated him unfairly when handling his claim.

My final decision

My final decision is that I do not uphold this complaint against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 5 August 2025.

Vanisha Patel
Ombudsman