

The complaint

Miss M has complained about Monzo Bank Ltd allowing a mistaken credit into her account to get taken back.

What happened

In late 2024, a fraudster used Miss M's card details to pay a shipping merchant to ship some packages. Miss M reported this and Monzo got it refunded.

The fraudster had lied to the shipping merchant about the dimensions of the packages, and so around £11,000 extra was due to the merchant for those shipments. The merchant, not realising that the fraudster had used someone else's card details, tried to debit that £11,000 or so from Miss M's card, since that's the card details they'd been given. That payment was blocked, so the money did not leave Miss M's account.

The merchant didn't realise the payment had been blocked, and subsequently thought they owed Miss M a refund of around £11,000. So they paid that £11,000 or so into her account as a "refund". This refund was made in error, and was then reversed the next day back to the merchant. The payments were all in a foreign currency, and the exchange rate changed between the undue credit going into Miss M's account and being taken back. As such, Miss M ended up gaining around £190 from the exchange rate difference.

Before it was taken back, Miss M used that undue credit of £11,000 or so to make a large deposit to her savings, give her partner some money, and do some shopping. So when the erroneous credit was reversed, her account was left in an overdraft.

Miss M feels that she has "done everything right". While she confirms that she had no entitlement to the funds, she argues that the reversal of the undue credit should be treated as if it were an unauthorised withdrawal of her own money. She wants the undue credit of around £11,000 given back to her, a refund of her overdraft fees, an investigation into Monzo's processes, and £5,000 compensation.

Monzo explained what had happened. They argued that the payment error (the undue credit) was made by the merchant rather than Monzo, and that the credit was not Miss M's money and was due back to the merchant. They pointed out that Miss M had made money from the exchange rate fluctuation, and was not at a loss. They did accept that they hadn't explained things as well as they could have over chat, and offered £25 compensation.

Our Investigator looked into things independently and found that Monzo had already handled the matter fairly. Miss M asked for an ombudsman's final decision, so the complaint's 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.

First, I should clarify a few things. We are not the regulator – that's the Financial Conduct

Authority (FCA). So we're not here to conduct regulatory reviews into banks' processes, nor do we set industry processes. We're an informal dispute resolution service, here to decide the individual case between Miss M and Monzo. And again – I'm only looking at the case between Miss M and Monzo. This case is not against the fraudster, nor the shipping merchant, and we do not have jurisdiction over those parties. Finally, as an informal service, we won't necessarily go through every single point on a point-by-point basis, as a court might. While I have read and taken into account everything which both sides have sent, I will keep my decision focused on what I've found to be the key points.

The credit Miss M received – of around £11,000 – was not due to her. It was paid to her in error. This error was made by the shipping merchant and their payment processor, not by Monzo.

Payments made in error are supposed to get reversed. Under the terms and conditions which Miss M agreed to, Monzo were allowed to reverse mistaken credits – like this one – without needing to ask or tell Miss M, even if it would leave her in an overdraft.

This was not an unauthorised withdrawal of Miss M's own money, and did not need to be treated as such. It was a reversal of a payment made to Miss M in error. So it was appropriate for the funds to be returned.

This was not a failure to protect Miss M's account – it wasn't her own money getting taken, it was someone else's money going back to where it belonged. If Monzo had stopped the undue credit from being taken back, per Miss M's wishes, then the shipping merchant would've had the right to gather Miss M's personal details from Monzo and issue legal proceedings against her directly. So Miss M would've most likely ended up worse off.

Monzo's explanation for the payment error has not been inconsistent. I'm afraid that Miss M has just misunderstood. As Monzo and the merchant and our service have explained, this was both a refund and a payment error – i.e. it was a refund paid to Miss M in error. That is not contradictory. The refund was erroneous because it was "refunding" an amount which had never left Miss M's account in the first place. The amounts didn't exactly match because the exchange rate changed over time, as it tends to do. The amounts are still similar because they're based on the same dollar amount, and the exchange rate change was only over a short time so it wasn't a drastic change. It's not suspicious that the amounts were similar. They relate to the same matter, so of course they're similar. Monzo allowed the payment error to be reversed without confirming with Miss M first because, as above, that's what they're allowed to do under the terms Miss M agreed to.

Even if I did think that Monzo had made an error in allowing the undue credit to get reversed without confirming with Miss M first, I still would not make an award in this case. We don't punish banks for getting things wrong – we make awards based on the loss caused. And here, Monzo didn't primarily cause a loss in allowing the undue credit to be reversed – in fact, Miss M made a gain of around £190, not a loss.

The only financial losses Miss M then incurred were caused primarily by her own actions. She spent money she would've reasonably known wasn't hers. She had no good reason to think this was her own money, she'd had no dealings with the shipping merchant herself from which they could've owed her this money, the earlier card payments were only a fraction of this amount and had already been refunded anyway, she had no evidence to support why she felt entitled to it, and she wasn't expecting to receive any amounts in this region. It wasn't reasonable for Miss M to think this was a refund she was owed, since she hadn't actually had any such amount leave her account in the previous period. And her balance was never anywhere near £11,000 in the period prior to this, so she had no reasonable expectation that her balance should be "returned" to such a level.

Miss M spent money which she reasonably knew was not hers, and that's what caused her to go into an overdraft when the undue credit was taken back. Further, the bulk of Miss M's spending were the transfers to her savings and her partner. And given that the undue credit was reversed just hours after Miss M's spending, she could've avoided the overdraft issues by simply asking her partner to send her transfer back, and by withdrawing the money from her savings. The withdrawal penalty for her savings account was still substantially less than the money she made from the exchange rate difference; so if she'd done that she still would've made money overall and would've avoided the subsequent overdraft issues. The reason Miss M faced those issues is primarily down to her own choices. That's a difficult message for me to give, and I know it's a difficult message for Miss M to receive. But I'm unable to reasonably reach any other conclusion there.

Miss M has made a number of arguments around the merchant and fraud. To clarify: just because fraud had happened earlier, that doesn't mean Miss M was then entitled to keep someone else's money. Miss M had already received a refund of the earlier card payments which had actually gone through – she wasn't owed anything more there. While the earlier card payments were fraudulent, the reversal of the undue credit was not – it was due back to the merchant. I'm unsure why Miss M is arguing that it wasn't the real merchant involved. The merchant themselves have confirmed to Miss M directly that it was them. And they are a large, well-known, international firm. The technical data also matches up to the real merchant. There is no evidence that they were somehow laundering money – it was just a mistaken refund getting taken back. Monzo are not the police and do not have the power to carry out an investigation into the merchant. Neither do our service. If Miss M is unhappy with the merchant, she can pursue them directly. Further, even if it hadn't been the real merchant involved, Miss M would still not be allowed to keep someone else's money. The credit wasn't due to her – it was someone else's money, and refusing to give it back would commonly be considered theft.

Monzo did not need to do a chargeback. Chargebacks are voluntary. And here, Miss M had no entitlement to the money she was credited with. It was right for that undue credit to go back to the merchant. So it would've been wrong for Monzo to try to take that money from the merchant and give it to Miss M via a chargeback.

Monzo do accept that they could've dealt with things a bit better over chat. Their offer of £25 compensation is fair for that. I have not found any basis on which to award more.

In summary, the mistaken refund was paid in error by the merchant and their payment processor – the error was not on Monzo's part. The erroneous refund was due back to the merchant – Miss M had no entitlement to that money. Under the terms Miss M agreed to, Monzo were allowed to let that undue credit go back. Miss M actually made money from that due to exchange rate changes, rather than suffering a loss. The subsequent detriment she suffered was primarily caused by her own actions in transferring someone else's money away and choosing not to put it back into her account. I do not find that Monzo caused any substantial undue loss here. There is nothing more that I require Monzo to do in this case.

My final decision

For the reasons I've explained, I don't uphold Miss M's complaint.

This final decision marks the end of our service's consideration of the case.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 25 June 2025.

Adam Charles
Ombudsman