

## **The complaint**

1 complain that Monzo Bank Ltd ("Monzo") failed to prevent payments from leaving their account after they were cancelled.

## **What happened**

1 are a company and represented here by Ms S. Ms S has explained that she entered into an arrangement for services with a merchant I'll refer to as R.

In early April 2024, Ms S received a payment request for £1 from R at the start of the contract which was then refunded to the account. This set up a continuous payment authority (CPA).

R took several payments from the account for various amounts. On 24 May 2024, Ms S wrote to Monzo and told them she was withdrawing her authority for R to take any further payments. Monzo placed a block to prevent R from taking payments.

A few days later, R completed a payment request for £404.77. Ms S raised the matter with Monzo and was surprised that this payment had been made. She asked for a refund.

Over the next few months, Ms S and Monzo had several exchanges about the refund requested by Ms S. Ms S also reported that R had taken further payments from her account despite withdrawing permission for them to do so.

Ms S informed Monzo that she had medical conditions that affected her ability to make decisions and wanted Monzo to refund all the payments taken by R. She believed those payments were outside the contract she'd agreed with them.

Monzo said they couldn't prevent all of the payments if R changed certain details when they requested additional funds. Ms S raised a complaint on behalf of 1 concerning Monzo's handling of the situation. Monzo clarified with Ms S that she was both disputing payments and also wanted to challenge the overpayments Ms S believed R had made. Ms S explained she was dealing with the amount's charged as a separate issue outside of Monzo.

After failing to get a resolution from Monzo, Ms S brought 1's complaint to the Financial Ombudsman Service for an independent review.

An investigator was assigned to look into the matter and asked for information from both parties. Ms S provided details of her issue and evidence of her dealings with Monzo. She was unhappy how they'd handled 1's account and how this had impacted both her and the business.

Monzo provided their file on the dispute, including payment data. They argued that they were unable to prevent R from taking some of the payments (even after Ms S had withdrawn consent) because R had changed some of the payment details that weren't able to be picked up by their systems.

After reviewing the evidence, the investigator concluded that Monzo had acted unfairly by

not stopping the payments that left Ms S's account after she'd withdrawn consent. It was also thought they'd handled 1's dispute poorly. It was recommended that Monzo refund £704.35 made up of three payments £404.77, £32.28 and £267.30 plus interest. Also for Monzo to pay £150 for their handling of the dispute which impacted the companies operation and functionality.

Monzo disagreed with the investigator's recommendations and asked for a further review of the complaint. Monzo argued that they weren't responsible for refunding payments when the merchant (R) had changed certain details when requesting payment.

As no agreement could be reached, the complaint has now been passed to me for a decision. As part of my own investigation, I wrote to Ms C to explain my thoughts concerning the £404.77 payment made from her account. I thought this payment was authorised based on the original date it was presented for payment.

I also asked Monzo to provide further information about the payments made to R.

I issued my provisional findings on the merits of 1's complaint on 25 February 2025. In my provisional findings, I explained why I intended to uphold (in part) 1's complaint and offered both sides the opportunity to submit further evidence or arguments in response. An extract of that decision is set out below and forms part of this final decision:

*"What I've provisionally 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.*

*The relevant law surrounding authorisations are the Payment Service Regulations 2017. The basic position is that Monzo can hold 1 liable for the disputed payments if the evidence suggests that it's more likely than not that they made them or authorised them, but Monzo cannot say that the use of the card details conclusively proves that the payments were authorised.*

*Unless Monzo can show that consent has been given, it has no authority to make the payment or to debit 1's account and any such transaction must be regarded as unauthorised. To start with, I've seen the bank's technical evidence for the disputed transactions. It shows that the transactions were authenticated using the payment tools issued to 1.*

*Ms S had an arrangement with R to provide certain services. The underlying contract between 1 and R isn't relevant to whether Monzo had authority to release the payment. Ms S (as 1's appointed representative), gave permission to R to take payments from her card using the CPA. This took place in early April 2024. I acknowledge that Ms S has made a case that R took payments that she didn't agree with. But, the CPA would stay in force until it was revoked, or other contractual conditions were met.*

*That authority wasn't removed by 1 until 24 May 2024 when Ms S messaged Monzo. From that date, it's reasonable to consider the authority deriving from the CPA was then withdrawn. So, payments made before that date would be considered as authorised.*

*The PSRs state:*

**83.—***(1) Subject to paragraphs (2) to (5), a payment service user may not revoke a payment order after it has been received by the payer's payment service provider.*

*(2) In the case of a payment transaction initiated by a payment initiation service provider, or by or through the payee, the payer may not revoke the payment order after giving consent to the payment initiation service provider to initiate the payment transaction or giving consent to execute the payment transaction to the payee.*

*The payment taken by R for £404.77 was first made on 18 May 2024. The authorisation remained pending for a while due to an issue with available funds at the time of the first presentation. R then re-presented the payment on 29 May and this time it was successfully pushed through the account.*

*It was originally recommended that this be refunded, but as the payment used the CPA in force at the time, the payment was authorised. So, even though Ms S removed her permission prior to the finalisation of the payment process, because it relied on the CPA in force at the time, it can't be revoked, and I can't fairly ask Monzo to refund it.*

*Having said that, payments initiated by R after the removal of permission on 24 May can't be considered authorised, whether R changed certain payment details or not. Monzo's argument that they couldn't block the payments due to these changes doesn't take into account the PSR's in respect of consent. Ms S removed consent and whilst Monzo may have not been able to block certain payments, they didn't have the appropriate authority to release them. So here, my current thoughts are that it's both fair and reasonable that Monzo refund them. This is in respect of the latter two payments for £32.28 and £267.30 = £299.58.*

*Monzo's position to not refund those payments after consent was withdrawn caused additional difficulties for 1 that were unnecessary. Ms S has argued that this impacted the ability of the business to operate and perform its function. Given that this is a new and small business, the impact was more noticeable in respect of their operational efficiency because Ms S had to divert her energies into addressing this issue rather than building her business. So, in order to address this failing by Monzo, I'm intending to award £150 to 1.*

#### *My provisional decision*

*My current thoughts are to require Monzo Bank Ltd to refund £299.58 to 1. Also to add simple interest at 8% per annum from the date of the payments to the date they're refunded. I also intend to require Monzo to pay £150 compensation for the reasons stated above."*

I invited 1 and Monzo to give me any more evidence and information they wanted me to consider before issuing my final decision. Monzo didn't respond and 1 didn't have anything further to add about their complaint. I wanted to thank both parties for their patience whilst I've considered this complaint.

#### **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.

Having done so, and as neither party had anything further to add, I see no reason to reach a different conclusion. So, this final decision confirms the findings set out in my provisional decision.

#### **My final decision**

My final decision is that I uphold this complaint (in part) and in order to settle it, Monzo are now required to:

- Make a refund to 1 of £299.58.
- Pay simple interest at 8% per annum for the loss of use of those funds from the date of the payment to the date repaid.
- Pay 1 £150 for the impact their handling of the situation had on the efficient running of the business.

Under the rules of the Financial Ombudsman Service, I'm required to ask 1 to accept or reject my decision before 9 May 2025.

David Perry  
**Ombudsman**