

The complaint

Ms M complains Monzo Bank Ltd didn't refund transactions on her account which she says she didn't make or authorise.

What happened

Ms M disputed two payments made on 1 April 2024 for £36.99 and £8 to a takeaway shop. Monzo initially refunded the payments but later decided to hold Ms M liable for them, so took one of the refunds back.

Ms M complained to Monzo about the transactions and its decision to close her account. Monzo responded to say it had closed her account in line with the terms and conditions. And it had decided to hold Ms M responsible for the disputed transactions because it felt it wasn't possible for them to have been made or authorised without Ms M's involvement.

Ms M referred her complaint to our service. Following our involvement, Monzo offered to refund £49.99. Ms M didn't want to accept this initially, so our Investigator considered the full circumstances of the case. She said, in summary, the evidence showed the transactions were contactless payments made using Ms M's genuine card and made in between undisputed use so she couldn't see how someone other than Ms M could have made them. But she thought Monzo's offer to refund the transactions was fair.

Initially Ms M responded to say she would accept the Investigator's view. But she later got back in touch with our service, to ask if Monzo would be updating her credit file because the account had been overdrawn and defaulted during the dispute. Our Investigator explained that we wouldn't be asking Monzo to do this, as she didn't think it made a mistake in applying the default because Ms M hadn't repaid the overdrawn balance, and the refund of the transactions was a gesture of goodwill. Ms M also mentioned she'd disputed a third transaction to the same takeaway shop for £5 which had taken place on 10 March 2024.

As Ms M decided she didn't agree with the Investigator's view, the complaint was passed to me to decide.

I issued a provisional decision. I've set out my findings again below and they form part of this decision.

Provisional findings

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

The disputed transactions

Under the Payment Services Regulations 2017, generally, Monzo can hold Ms M liable for the disputed transactions if the evidence shows she made or authorised them.

Monzo have provided evidence which shows all three transactions Ms M says she didn't make or authorise, were contactless payments using her genuine card. I say this because Monzo's evidence shows the chip in Ms M's card was read during the disputed transactions. And it's not generally thought possible to copy the chip on the card. And if an unauthorised party had successfully cloned Ms M's card, it's not clear to me why they would only use it to make low value transactions in a takeaway shop, on two separate days, three weeks apart. So I'm satisfied Ms M's genuine card was used. Based on the information Ms M has given us, she still had her card after the disputed transactions had taken place and no one else could have accessed it.

The last undisputed use before the disputed payment on 10 March 2024 was 12.55am, which was a contactless payment to a public transport system. The disputed payment was made at 3.04pm later the same day.

The last undisputed use before the disputed payments on 1 April 2024 was at 1.03pm, to an office supply store. The disputed payments were made at 3.04pm and 3.14pm. The next undisputed use of the card is at 3.43pm the same day.

I understand one of Ms M's particular concerns was that the payment description on her account showed the merchant location as being another town about 35 miles from where Ms M was on the day in question. But, as Monzo explained to her, this doesn't necessarily indicate where the transaction itself was made and can often denote where the head office or central location of the merchant is. So just because Ms M says she's never visited this town, doesn't mean the transaction must have been unauthorised.

For the transactions to have taken place without Ms M's involvement, the card would have to have been taken from her on 10 March and used to make the disputed payment to the takeaway shop, then returned to her – all without her noticing. This would then need to have happened again on 1 April, for the two transactions to have taken place.

If an unauthorised party had obtained Ms M's card for the purposes of stealing money, I would expect them to try and take as much money as they could, as quickly as possible. I wouldn't expect them to make a low value transaction at a takeaway shop on 10 March and return the card to Ms M. Only to take the card again on 1 April, make another two low value transactions to the same takeaway shop, before returning the card a second time.

Since Ms M has told us she still had her card after the disputed payments had taken place and no one else had access to it, there's no plausible explanation for how the transactions could have taken place without Ms M's involvement.

So in the circumstances, I think it's more likely than not that Ms M authorised the transactions. But Monzo have offered to refund £49.99, which covers the amount of all three of the transactions Ms M reported as fraudulent to Monzo. I find this is a fair way to resolve things.

The default

After initially refunding the transaction for £36.99, Monzo debited it from Ms M's account having decided she was liable for it. This took Ms M's account into an unarranged overdraft by £25.96. Monzo was entitled to do this.

Though Monzo had decided to hold Ms M liable for the transactions, it only ever re-debited the £36.99. It did not reverse the refund it had given for the disputed £8 payment. The disputed £5 payment was never refunded at the time of the original dispute.

An overdraft is repayable on demand, which means the financial business can request its repayment at any time. I can see Monzo contacted Ms M several times about repaying the overdrawn amount because her account was due to be closed. But Ms M continued to question why she was being asked to repay anything.

I can also see Monzo told Ms M it had registered a default on her credit file and sent her the required notice before doing so. Ms M was bound by the terms and conditions of the account to repay the overdrawn amount, even though the payments continued to be in dispute, and she'd been in contact with our service.

Ms M's account entered the unarranged overdraft on 8 May 2024. I'd usually expect to see a default notice being issued after the account was at about three months behind in payments. But Monzo had told Ms M her account was defaulted within eight weeks of it entering the overdraft. Given that Ms M had continued to question why she had been asked to pay this, despite having been told by Monzo. And there was no indication Ms M was intending to repay the overdrawn balance; I don't think this was unreasonable.

In any event, Ms M's recently provided a copy of her credit report which shows no default has been applied by Monzo in relation to the overdrawn balance. So, while I understand why Ms M was worried because Monzo told her it would, this doesn't appear to have happened. But even if Monzo had registered a default, I'm satisfied it followed the correct process for doing so, so I find that would be fair.

While I don't think it makes a material difference to the outcome of the complaint, I'd ask Monzo to confirm in response to this provisional decision whether it has, or hasn't, registered a default in respect of Ms M's account.

The closure of the account

The terms and conditions set out that Monzo can close the account and that it will provide two months' notice unless specific circumstances apply. Here I can see Monzo contacted Ms M on 24 April 2024, to say it had taken the decision to close Ms M's account and was giving her 62 days' notice.

Monzo isn't obliged to provide a reason for its decision. So while I understand why Ms M is unhappy, I'm satisfied Monzo has acted in line with the terms and conditions in respect of the closure of her account.

Responses to my provisional findings

Ms M responded with the following points I've summarised below:

- She maintained the transactions were fraudulent – as the disputed payments were in increasing amounts.
- She remained unhappy that the location of the merchant had not been sufficiently demonstrated.
- She wanted Monzo to refund a further £9.40, which was a refund from another merchant received into her account after the disputed transactions.

Monzo did not respond by the deadline we set.

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.

Although Ms M's position remains that the transactions were fraudulent and she was still unhappy with the matter of the location of the transactions, I explained why I didn't agree with this in my provisional decision. And I don't think it makes a difference to the outcome of her complaint, because Monzo has offered to refund all the transactions in any event.

Ms M's account received a refund from an unrelated transaction for £9.40 on 26 April 2024. This brought the balance to £11.03. Monzo then redebited the £36.99 transaction on 8 May 2024 – which left Ms M with an overdrawn balance of £25.96. Following a further account adjustment of 11p, the overdrawn balance of £25.85 was cleared by Monzo on 13 September 2024. In my provisional decision I explained I planned to require Monzo to refund £49.99 in total, and any amount that hadn't been used to clear the overdraft should be paid to Ms M directly. Because the £9.40 had already reduced the overdrawn balance, this will be covered by the amount Monzo now need to arrange to pay Ms M directly. Monzo do not need to pay this in addition to the £49.99.

My final decision

For the reasons I've explained, I'm satisfied what Monzo has offered to do is fair and reasonable in resolution of this complaint.

To put things right, I require Monzo Bank Ltd to refund Ms M a total of £49.99. I understand the overdrawn balance of £25.85 has already been repaid by Monzo, so the remaining amount of £24.14 should be paid to another account of Ms M's.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 5 September 2025.

Eleanor Rippengale
Ombudsman