

## **The complaint**

Miss D complained because Zopa Bank Limited refused to refund her for transactions she said she hadn't authorised.

## **What happened**

On 24 May 2025, Miss D opened a new credit card with Zopa. She used this for the first time at a supermarket on 31 May, spending £6.40 at 3.42pm. She used the card's chip and PIN to make the payment.

On 3 June, Miss D contacted Zopa by webchat. She said she'd just logged on to her account, and had also realised she didn't have her card. She said the last time she used it had been in the supermarket, and she'd dropped her bag after paying for her shopping, and everything fell out. She said a lady had helped her pick everything up, and she thought that lady must have stolen her card, which she'd had in her hand, and had also seen her enter her PIN.

There had been nine transactions on Miss D's card since her supermarket payment, totalling just under £500. Seven of these were contactless, and the other two were chip and PIN totalling £273.00. They'd taken place between 7.57pm on 31 May, and 4.39pm on 1 June. Miss D told Zopa that she hadn't allowed anyone else to access her card, that she hadn't told anyone her PIN and hadn't written it down. Zopa told Miss D someone would contact her.

Miss D chased Zopa on 5 June. She was told she'd have to phone, because the specialist team wasn't available through chat. Miss D said that wasn't what she'd been told on 3 June.

On 10 June, Zopa rang Miss D. It refunded the seven contactless transactions. But it told Miss D that it would need more information about the two chip and PIN transactions, for £250 on 31 May and £23 on 1 June. It asked her to contact the police, and provide Zopa with the police outcome. Miss D reported to the police, and she sent Zopa the police confirmation that it was unlikely they could identify who was responsible and that the police case was closed.

On 24 June, Zopa wrote to Miss D. It said that it had suspended Miss D's right to draw credit under the agreement, to protect the card security. It said it had looked into Miss D's claim and hadn't found any clear evidence of fraud. So it had declined her claim. Zopa said her card would remain disabled until the refunds it had given her on 10 June had been reversed. All the credit card payments would remain on her card, and she'd be responsible for paying them. If she didn't keep up with payments, it could negatively impact her credit file.

Miss D rang Zopa and complained. She set out what had happened in the supermarket. She also said she'd had fraud on a credit card before, where she'd reported it to the police and nothing had been done because they had no leads.

Miss D said she'd just sent Zopa what the police had sent her, and didn't understand why that meant she'd now got to pay for the transactions. She said she'd initially been told the contactless ones would be refunded, but was now told she'd have to pay for all of them.

Miss D also said she hadn't received any notifications on her app about the spend, and hadn't been aware of the spend. The adviser said the contactless refunds had been temporary until Miss D provided the additional evidence requested. Miss D had said she hadn't written down the PIN, so it was difficult to find a point of compromise, plus the police hadn't proceeded. Miss D said anyone could have seen her enter her PIN at the self-service checkout, because she'd dropped her card in the supermarket. She said it wasn't fair that if the police hadn't provided CCTV from the supermarket, she should be liable.

Zopa sent its final response to Miss D's complaint on 4 July. It set out what had happened, and said that it had identified that when Miss D first contacted Zopa, the agent hadn't correctly raised Miss D's case. When she rang again on 5 June, the agent raised the case, and it apologised. But Zopa said it didn't have evidence to confirm fraud. It said the reason it had held her liable was because of the use of her card's PIN in the most recent transactions. The use of a PIN was a strong form of customer authentication, which typically indicated that the cardholder authorised the transaction. It noted that Miss D had said she hadn't received notifications for the transactions, and said it would provide feedback to the relevant team. Zopa didn't uphold Miss D's complaint.

Miss D wasn't satisfied and contacted this service. She set out what had happened and said it had had a significant financial and emotional impact. She said it had affected her ability to manage her expenses, including living costs. She was unhappy that her Zopa card remained disabled, and was worried this would affect her credit file if Zopa reported that she hadn't paid. She said that just because the police couldn't find a suspect in a busy supermarket, didn't mean it hadn't been fraud. Miss D wanted a refund of all disputed transactions, and related interest and charges. She also wanted Zopa to acknowledge the flaws in its notification system, and wanted her credit report protected.

Our investigator asked Miss D questions about her claim. Miss D replied that the card had been in her hand after she'd paid at the supermarket. She hadn't seen the card drop and didn't realise it was missing until days later. She said she hadn't entered the PIN for everyone to see, and had used caution as usual, but it had been busy and there had been people all around her. She said the till keypad had been angled to the side. She said she had contacted the supermarket about what had happened, and if it could help with CCTV, but it had said it couldn't help.

The investigator also obtained more information from Zopa. This included Zopa sending confirmation that it had sent notifications for all of the transactions. It also explained that for notifications to be received by the customer, the customer would have to enable them on both the app and their device.

The investigator didn't uphold Miss D's complaint.

The investigator set out what had happened, and said she'd taken into consideration the nature of the payments, as well as their frequency and value, to establish if the payments were indicative of an opportunistic fraudster. The £250 chip and PIN transaction had been a cash withdrawal, and the rest were to recognisable merchants in various sectors. The disputed transactions were relatively spaced out from 7.57pm on 31 May to 4.39pm on 1 June.

The investigator said that the events as described by Miss D would require several unlikely and unlucky coincidences happening at the same time – the first use of the card and PIN

being observed, the accidental dropping of the Zopa card and the individual who had seen the PIN opportunistically taking her card. The investigator said it was possible for this to have happened, but she didn't believe it was the most plausible explanation.

Miss D's testimony had been that the self-checkout was particularly busy, and the card terminal was angled to the side and she took the usual precautions to enter her PIN discreetly. So it would have been difficult for someone to see the four-digit PIN. There had been no failed attempts, so the correct PIN was entered first time, which was again implausible. Although Miss D had communicated a clear compromise for the card which she said she'd dropped, there was no viable compromise for the PIN. So the investigator couldn't conclude the payments should be reimbursed.

The investigator also didn't believe the pattern of transactions was indicative of an opportunistic fraudster. She also said that Zopa had shown that notifications had been sent, and she sent Miss D a screenshot of Zopa's evidence showing this.

The investigator concluded that there had been shortcomings by Zopa, in particular its failure to take prompt action when Miss D first contacted it on 3 June. Zopa had acknowledged this and apologised in its final response. Zopa had also not re-debited the temporary refund for the contactless payments until September, but this had only limited impact on Miss D. The investigator said Zopa could have been clearer in its communications. There was lack of clarity about the contactless payments, and the investigator considered Zopa should pay Miss D £50 compensation for its shortcomings.

As the investigator had concluded that it was more likely than not that Miss D had authorised the disputed transactions, she said that Zopa didn't need to refund Miss D. The investigator also clarified that this meant Miss D was liable for the transactions and repayment, and failure to repay her credit card could result in negative markers on her credit file. The investigator also signposted Miss D to charities for consumer advice and debt.

Miss D wasn't satisfied.

She said she didn't believe her case had been considered fairly or in line with the Regulations. She said there was no conclusive evidence she'd authorised the transactions, and no factual proof. The view that it was "*implausible*" for her PIN to have been compromised didn't reflect the reality of busy environments such as self-checkouts. She didn't agree that the spending pattern didn't align with an opportunistic fraudster. She said that she hadn't received any notifications, though they were on, as for all her other apps, but she not receives notifications. She said Zopa's failure in this had prevented her from detecting the fraud earlier. She said she'd reported the fraud promptly, frozen her card and provided a police report as requested. It had caused her financial and emotional distress. Miss D said that £50 compensation didn't adequately reflect the seriousness of the situation. She asked for an ombudsman's decision.

### **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.

#### *What the Regulations say*

There are regulations which govern disputed transactions. The relevant regulations here are the Payment Services Regulations 2017. In general terms, the bank is liable if the customer didn't authorise the payments, and the customer is liable if they did authorise them. So what

decides the outcome here is whether it's more likely than not that Miss D, or a third party fraudster unknown to her, carried out the disputed transactions.

I note that Miss D said in her reply to the investigator's view that there was no factual proof or conclusive evidence that she authorised the disputed payments. But that isn't the test here. Similarly, it's not relevant to the outcome what the police decided to do as a result of Miss D's report to them. What matters, according to the relevant Regulations, is who authorised the payments. There can't always be certainty about what took place, and when that occurs, I take my decision according to what's most likely to have happened, taking into account all the circumstances of the case.

*Who is most likely to have authorised the disputed transactions?*

I've carefully considered Miss D's evidence about what happened when she was at the supermarket on 31 May. She said she took precautions to protect her PIN at the till. So it's hard to see how any third party could have seen her enter her four-digit PIN. There were also no transactions which failed because of an incorrect PIN. So whoever authorised the disputed payments knew the correct PIN. There are 10,000 possible combinations of a four-digit number. So I don't consider that any third party could have guessed Miss D's PIN correctly first time.

Miss D also said that she had the card in her hand when she dropped her shopping. I can understand that she might have been temporarily distracted when she dropped her bag – but I'd have expected that after the shopping was picked up, the first thing she'd have done was put away her card. At that point she'd have realised that she didn't have it. So I find it surprising that Miss D didn't discover her card missing and report it to Zopa on 31 May. Instead it was 3 June when she contacted Zopa.

Miss D said that she would have reported the disputed transactions sooner, if she'd received notifications of her spend on the Zopa app. I've looked at Zopa's computer evidence of the notifications it issued to Miss D. Each transaction is shown, in the format "*You spent £x at [location]. You have £y available credit*" with the date and time of the spend. I accept that Zopa sent the notification. Miss D said in her response to the investigator that she now receives notifications, so the issue can't be a technical problem with her phone.

The notification list also shows something else. The penultimate notification ended "...*you have £26.01 available credit.*" The next transaction, at a café around 40 minutes later, was attempted for £27.00. This was declined because it exceeded Miss D's £500 credit limit. The rejection was followed, within one minute, by the last successful transaction at the same café for £23.00. So I consider it's highly likely that whoever made the last transaction tried £27 as a rounded-up figure from the £26.01 which they knew was available. And when that was rejected, they knew they'd succeed with a figure under £26.01. There are no further attempted transactions after the successful £23.00 debit, so the person making the transaction knew they'd reached the maximum.

I can't see how any hypothetical third party fraudster could have known the amount of remaining credit. There's no suggestion that Miss D's app or phone had been stolen or compromised. So I can't see how anyone apart from Miss D herself could have obtained this information so accurately. To do so, she'd have needed to have received the notification information, which I accept Zopa's computer sent.

I also agree with the investigator that the pattern of the transactions isn't typical of a third party fraudster. It would be normal to see large transactions attempted, within a very short time of the card and PIN being obtained – and continuing until rejected transactions showed the maximum had been reached. This isn't the pattern here. The first disputed transaction

didn't take place for over four hours after Miss D's genuine supermarket payment. The rest took place gradually until 4.39pm the next day. Apart from the £250 cash withdrawal, they are general spend, and for amounts as small as £2.39.

So for all these reasons, I find that it's most likely that Miss D herself authorised the disputed transactions. This means Zopa doesn't have to refund her. As I've found this, it also follows that I don't require Zopa to remove interest and charges relating to the disputed transactions.

### *Zopa's customer service*

When Miss D contacted Zopa to raise the dispute on 3 June, Zopa didn't handle it correctly. Miss D had to chase again on 5 June, and it wasn't until 10 June that Zopa contacted her to find out what had happened.

I've also looked at the refund which Zopa gave Miss D for the contactless transactions on 10 June. I find that its communication about this was poor. Its email telling Miss D about this refund didn't make it clear that this refund was temporary pending a full fraud investigation. There was a separate email about needing more information about the two chip and PIN transactions, but Miss D would have thought that the contactless refunds were permanent. This doesn't change whether Zopa has to refund Miss D, because that hinges on whether she authorised the payments. But it was poor communication and customer service by Zopa.

I've also seen that Zopa didn't action the re-debiting of the contactless transactions until September. But this didn't disadvantage Miss D, because it meant her outstanding balance was lower than it would have been if Zopa had re-debited them promptly.

I consider that Zopa should pay Miss D compensation for not initially raising her dispute on 3 June, and for its poor communication, particularly about the status of the contactless transactions. I don't agree with Miss D that £50 compensation doesn't reflect the seriousness of the situation, and I find that £50 would be fair and reasonable compensation for Zopa's customer service errors.

### *Other points*

Miss D also said she wants confirmation that her credit report won't be affected by the disputed transactions. I've found that it's most likely she authorised the payments, and is therefore liable for them. So any failure to make payments to her Zopa card could result in negative markers on her credit file.

### **My final decision**

My final decision is that:

- I do not uphold Miss D's complaint for a refund of the disputed transactions, because I find it's most likely that she authorised them herself;
- I order Zopa Bank Limited to pay Miss D £50 compensation for its poor service when she raised her dispute and for its poor communication relating to the temporary refund of the contactless transactions.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 20 November 2025.

Belinda Knight

**Ombudsman**