

The complaint

Mr B complains that Monzo Bank Ltd allowed disputed transactions to debit his account which put it into an unplanned overdraft.

What happened

In September and October 2024, three transactions totalling £183.93 debited Mr B's account. The transactions were part of continuous payment authorities (CPA's) that appear to have been set up in September 2023, and October 2023. Before the transactions debited, Mr B's account had a £0 balance, so they put it into an unplanned overdraft.

Monzo informed Mr B of the account's overdrawn position several times in the months that followed, but because he'd reported the disputed transactions as unauthorised, and was unhappy Monzo had allowed the transactions to debit in the first place, he didn't clear the unplanned overdraft amount until 6 January 2025. By which time adverse information was recorded on his credit file by Monzo.

Mr B raised a complaint with Monzo. In response, it said:

- The disputed transactions were part of subscriptions.
- There is evidence Mr B had authorised payments to these merchants in the past, which means he'd given them permission to process future payments unless the subscription was cancelled.
- Because the payments were to a recognised merchant and Mr B had authorised them, it had to let them go through. It acted correctly processing them.
- Its disputes team were reviewing Mr B's case in an attempt to reclaim the disputed amounts from the merchants.
- It applied a merchant block on its system which prevents further payments from being taken by the same merchants.
- Mr B didn't have an agreed overdraft with his account, but it can still go into a negative balance. Usually, if there isn't enough money available, it will reject the payment where possible. However, some payments, like offline or delayed transactions can still take the account into a negative balance. It couldn't guarantee that this wouldn't happen again.
- It asked its specialists to delay a default being applied to Mr B's credit file whilst it investigates the disputed transactions. If the dispute is successful, Mr B will be refunded for the transactions.

Mr B referred his complaint to this service where it was considered by one of our investigators. She was satisfied that the merchants made the CPA terms clear when Mr B signed up for a 'free trial.' And as there was no evidence to suggest he'd cancelled them, Monzo didn't do anything wrong allowing them to debit his account which put it into an unplanned overdraft. And she felt Monzo had recorded accurate information on his credit file in relation to the overdrawn position. She also provided Mr B copies of his statements to show the disputed amounts were returned to Mr B on 17 and 20 January 2025, putting his account in credit by £184.98.

Mr B didn't accept our investigator's findings. He said he hadn't received the refunded amounts as he had to transfer £190 of his own money into the account to close it. He said he never requested or approved for Monzo to use offline payments to process the disputed transactions and said this was a fundamental breach of trust and responsible banking.

As no agreement could be reached, the complaint has 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.

Having done so, I realise this will come as disappointing news to Mr B, but I've reached the same conclusions as our investigator. I'll explain why.

Firstly, whilst I find the terms of the CPA were made clear to him at the point of the 'free trial,' I accept that Mr B, for whatever reason, didn't realise he'd agreed for his card details to be added into a subscription for both merchants. But, as I find the terms were made clear, it's fair for Monzo to have treated the disputed transactions as authorised by Mr B.

Monzo has provided evidence that the merchants tried to take payments from Mr B's account, across a number of months, but they were declined by the bank due to insufficient funds. Monzo says the merchants then processed the successful ones a different way, by putting them through as 'offline,' which meant Monzo couldn't prevent them from being taken. I know Mr B disagrees with this process, but I accept that this was beyond Monzo's control. The merchants processed the transactions in a way that is not standard however, they had been previously authorised for subscriptions by Mr B.

Having said that, there is evidence that Mr B tried to raise a dispute about one of the CPAs in November 2023. He explained to Monzo that he'd already cancelled the subscription with the merchant, but Monzo asked for evidence of this, which Mr B didn't provide. But, despite this, as Mr B had already told Monzo he'd tried to cancel the subscription, I find Monzo should've treated any further transactions under that CPA as unauthorised straight away and provided an immediate refund. But it didn't do that, and instead, for the £94.99 that debited the following year, it waited until the response of a chargeback (which was successful) to return the £94.99 to Mr B's account on 17 January 2025.

But even though I find Monzo should've refunded the £94.99 straight away in November 2024 when Mr B raised a dispute about it, the same can't be said for the other subscription for what appears to be computer anti-virus software – for the disputed amounts of £88.94 and £1.05 that debited Mr B's account on 18 and 19 September 2024. Whilst Mr B had previously arranged a subscription with this merchant in 2021 and asked Monzo to cancel it, the bank has provided me with evidence to show that Mr B provided his authorisation for a further CPA to the same merchant to start in September 2023, by using 3DS security via his Monzo app. So, Mr B had never asked Monzo to specifically stop this subscription. As such, I don't find Monzo was wrong in the way it dealt with Mr B's dispute about these disputed transactions totalling £89.99. So, as I don't think Monzo did anything wrong allowing the disputed transactions to debit Mr B's account, it follows that it was always going to enter an unplanned overdraft because of the disputed transactions.

Whilst I find Monzo should've refunded the £94.99 in November 2024 when he first raised a dispute amount this transaction, this still would've left an overdrawn amount of £88.99 for Mr B to pay to clear the balance. I've seen evidence that Monzo sent Mr B several messages and tried to speak with him about the account's position, including it sending him a default notice on 24 October 2024 which is before he raised a dispute about the transactions.

Monzo said it would ask its specialists to delay the default being applied to Mr B's credit file whilst it investigated the disputed transactions, but regardless of raising a dispute, this doesn't stop the bank from pursuing Mr B for any unplanned overdrawn amount he's required to pay. And here, as I find Mr B authorised the use of his card details to be used as part of a CPA, I find Monzo acted correctly recording the status of his account to credit reference agencies. Regardless of the amount it was asking him to pay, Mr B didn't change the position of his account by making any payment until January 2025. So, I won't be asking it to remove any information its recorded on his credit file.

It appears Mr B was previously unaware that his Monzo account was in credit following the successful chargebacks. Our investigator sent Mr B a copy of his statement to show the balance, and if he hasn't already done so, Mr B should speak with Monzo about getting this amount returned to him.

But, for the reasons I've explained, I don't require Monzo to do anything further with this complaint. As whilst I think it could've acted differently with one of the disputed transactions, this wouldn't have changed the overall position.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 23 February 2026.

Lorna Wall
Ombudsman