

The complaint

Miss B is unhappy with how Monzo Bank Ltd dealt with her chargeback claim.

What happened

The parties are familiar with the background of this complaint, so I will summarise it briefly here, which reflects my informal remit.

In June 2025 Miss B purchased clothing for £90, using her Monzo debit card, from a retailer who I will refer to as C. The items were intended for her birthday, but as the delivery took almost a month, she was unable to use them for the occasion. When the items arrived, Miss B said the items were of poor quality. She returned them within two days of receiving the order and requested a refund to her original payment method.

C issued a full refund, but only as store credit. When Miss B was unable to get the money returned to her bank account, she contacted Monzo in July 2025 to request a chargeback. She explained that the order arrived late, the quality was poor, and C hadn't offered a suitable resolution. As she had already returned the items, she wanted her money back instead of store credit.

Monzo told her that chargeback rights didn't apply in this situation as C had already offered a refund - albeit as store credit - and that any chargeback raised would likely have failed.

Unhappy with Monzo's response Miss B referred her complaint to our service. In addition to her concerns about how Monzo handled the chargeback, she explained that she had tried to resolve the situation by using the store credit to place another order with C. Because the store credit didn't cover the full cost of this new order, she paid the remaining balance using her bank account. However, Miss B said the items in this second order also had quality issues.

After returning the second order, Miss B asked for a full refund. C told her that only the additional amount she had paid on top of the store credit would be refunded to her bank account, and the rest would again be issued as store credit. As Miss B doesn't want to make any further purchases from C, she wants the original £90 to be issued to her bank account instead of store credit.

When an investigator reviewed the case, they said that because C had already provided a refund in the form of store credit, the dispute was not valid under the scheme rules. For that reason, the investigator didn't think Monzo had acted incorrectly when it chose not to pursue a chargeback for Miss B.

As Miss B disagreed with the investigator's view and asked for a final decision, the case has now been referred to me.

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.

Whilst I've read and considered everything, if I don't mention any specific point, it's not because I failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome. This is not meant as a discourtesy but rather reflects my role of resolving disputes with minimum formality.

I appreciate how disappointing this experience has been for Miss B. She says the items she ordered for a special occasion arrived too late, were poor in quality, and that she was unable to resolve matters directly with the retailer.

However, I should make clear, that in assessing this complaint, I am not considering the actions of the retailer, C, but rather the actions of Monzo and whether it acted fairly and reasonably in how it handled Miss B's request for help in recovering her money. Similarly, any further issues Miss B later experienced with additional purchases from C - including the further quality concerns she reported and the way it refunded that order - fall outside the scope of this decision, as they were not part of the complaint she originally raised with Monzo.

As Miss B paid using a debit card, her only potential route to obtain a refund through Monzo was via the chargeback process.

A chargeback is a process by which payment settlement disputes are resolved between card issuers and merchants, under the relevant card scheme - in this case, Mastercard. It allows customers to ask for a transaction to be refunded in certain circumstances. It's not an automatic right, doesn't give consumers legal rights, and is not a guaranteed method of getting a refund, as chargebacks may be defended by merchants.

Chargebacks are decided based on the card scheme's rules and not the relative merits of the cardholder/merchant dispute. While it's good practice for a card issuer to attempt a chargeback where certain conditions are met and there's a reasonable prospect of success, there are dispute conditions set by the relevant card scheme that need to be considered. If these are not met, a chargeback is unlikely to succeed. Importantly, something going wrong with a merchant won't always lead to a successful claim.

Here Miss B asked Monzo to raise a chargeback because she was unhappy with the quality of the goods she received and wanted a refund. In these circumstances, the most relevant chargeback category, under the Mastercard scheme, would have been "*goods or services were either not as described or defective*".

For a chargeback to be valid under this category, one of the conditions is that "*the merchant refused to adjust the price, repair, or replace the goods or other things of value, or issue a credit*".

In Miss B's situation, the retailer, C, issued a full refund in the form of store credit. Although Miss B did not view this as an acceptable resolution, the key point is that C didn't refuse to provide a remedy and did in fact issue a credit. Because this essential condition for the dispute category wasn't met, I consider it was reasonable for Monzo to rely on this when deciding not to raise a chargeback, as there would have been no reasonable prospect of success had one been attempted.

For completeness, I also considered whether any other dispute code might have applied given the issues Miss B raised. However, based on the available evidence and after reviewing the requirements of the remaining dispute categories, I don't consider that any other dispute code would have supported a valid chargeback either.

I appreciate Miss B is likely to be disappointed with the outcome of this decision, but Miss B is of course, under no obligation to accept this decision. If she remains dissatisfied, she may wish to seek independent legal advice and pursue the matter through a formal channel such as the courts.

My final decision

I don't uphold this complaint against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 2 January 2026.

Farhana Akhtar
Ombudsman