

The complaint

Miss C's complaint is about how Monzo Bank Ltd (Monzo) handled a refund claim she made.

What happened

Miss C used her Monzo debit card to hire a minibus from a supplier I shall call 'H' in February 2024 to the sum of £56.90.

However, she felt the bus was misrepresented and not to the quality expected. As she wasn't provided a refund by H, she contacted Monzo to raise a chargeback claim against them. Monzo considered her chargeback claim but declined it following the merchant's submissions as they didn't consider there was a reasonable prospect of success had it progressed further.

In addition, as the funds were re-debited, it meant Miss C entered an unarranged overdraft in the following weeks. As this wasn't subsequently settled, her account was then defaulted and closed. As Miss C was unhappy with the overall handling of her claim and the subsequent default, she raised a complaint with Monzo.

Monzo sent their Final Response Letter on 1 September 2024 confirming they had handled the claim correctly and hadn't done anything wrong in applying a default. They did consider their general customer service could've been better and offered £45 to address this.

Miss C remained unhappy and brought her complaint to this service to consider. Our investigator considered the complaint and agreed that Monzo were entitled to decline the chargeback claim as it didn't have a prospect of success if it had progressed. They also felt Monzo hadn't done anything wrong in defaulting Miss C's account when the owed sum wasn't settled.

However, they felt there were several deficiencies in how Monzo had handled Miss C's subsequent complaint and said £400 would be more appropriate to address this. While Monzo agreed, Miss C remained dissatisfied and asked for an ombudsman to issue a final decision on the matter.

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.

I've read and considered the evidence submitted by the parties but won't comment on it all – only the matters I consider to be central to this complaint. This isn't intended as a discourtesy but reflects my role in resolving disputes informally.

I see Miss C has sent a large volume of submissions and while I appreciate this, I will be focussing on the core aspects of the complaint – and that is the handling of the chargeback claim, the subsequent administration of the account and lastly Monzo's handling of Miss C's concerns. As mentioned prior to Miss C, Monzo's handling of any subject access requests won't be something I'll be commenting on as this won't fall under this service's considerations.

It's important to note that Monzo aren't the provider of the services here – so in deciding what is fair and reasonable, I'm looking at their particular role as a provider of financial services. In doing so I note that because Miss C paid for this transaction using a Monzo debit card, a chargeback could possibly help her. So in deciding what is fair and reasonable I've focussed on this.

Chargeback

Chargeback is the process by which settlement disputes are resolved between card issuers and merchants. A consumer isn't entitled to chargeback by right. But where there are grounds to raise one and it has reasonable grounds for success, it is good practice for one to be raised by the card issuer.

However, a chargeback isn't guaranteed to succeed and is governed by the limitations of the particular card scheme rules (in this case Mastercard). I've considered the relevant chargeback rules in deciding whether Monzo acted fairly.

The relevant chargeback code here would be 'Goods / Services Were Either Not as Described or Defective'. I've therefore considered the evidence available regarding this chargeback rule and whether Monzo acted fairly when they declined Miss C's claim following the merchant's objection.

Did Monzo act reasonably in declining the chargeback claim?

Mastercard rules under this code state the following as a requirement:

"The cardholder contacted the merchant, or attempted to contact the merchant, to resolve the dispute".

Monzo raised the chargeback dispute but H in their submissions said there was no attempt to resolve the matter directly with them and they were only asked for a refund weeks later after the event. In addition, While Miss C did provide a photo of the inside of the bus advertised and then pictures of the one she travelled in, I've not seen anything further regarding a detailed advertised description or a level of service promised. Lastly, Miss C also confirmed she did use the service in full as well.

While I empathise with Miss C, H didn't have an opportunity to address the matter at the time and in addition she did use the service in full. I also think Monzo would've needed more than the evidence provided to consider if there was a reasonable prospect of success here to say the services were not as described – i.e. there would've needed to have been more regarding any assurances of the quality of service beyond just the picture of the seats.

With all of this in mind, I can't say Monzo did anything wrong in not taking the chargeback claim further as I don't think there was a prospect of success if they had done so.

Monzo's administration of Miss C's account

Miss C has also complained about the fact that the claim amount being re-debited meant she was left in an unarranged overdraft and was defaulted as a result.

Miss C has said she shouldn't have had any adverse impact on her credit file as she wanted the handling of the chargeback claim investigated first. However, I've not seen any evidence of an assurance given to Miss C that she wouldn't be impacted if she didn't settle the amount due in time.

The key aspect here is that Miss C was notified of the unarranged overdraft in several ways – the in-app chat, push notification, email as well as text. I've reviewed the content of the text messages sent and they confirm the account would be closed and defaulted if the due amount wasn't settled.

A default notice was then sent to Miss C by email on 29 July 2024 and the account was then closed at the end of the following month as a result. I've reviewed the default notice email and it clearly states the account would be defaulted in 20 days if the £56.90 was not paid in full. It also then provides a deadline of 27 August 2024 to do so.

While Miss C has said that the default letter should've been posted to her, email would also be a reasonable method of communication to notify a consumer of arrears due.

In Miss C's submissions to this service, she says she does 'accept the default was emailed' but felt the substance of the issue remained unchanged. The point mentioned is that the letter provided a deadline of 27 August 2024 after which the account would be defaulted, however she says she was told numerous times that she would be contacted by a specialist team before anything happened and that she had a written assurance on 20 July 2024 that her complaint would be responded to by 3 August 2024.

I think the key issue here is whether Miss C was given any assurances that she wouldn't be defaulted by the deadline if she didn't settle this sum while her complaint was on-going. I can't agree that an assurance of contact regarding her complaint meant that it would be reasonable to then assume that the payment due date wouldn't still apply.

I would consider that a complaint about the chargeback claim would be separate from the account administration and any amounts owed unless there are clear documentary or verbal assurances given that the default date no longer stood.

There are two key calls here:

- 25 June 2024 – Miss C confirmed she had submitted the evidence needed for the chargeback claim prior but then had been away. On return she discovered she had been re-debited and this meant she was in her unarranged overdraft.

Monzo confirmed they had reviewed Miss C's previous chat session with them when she was informed the chargeback claim wouldn't be taken further and she would be re-debited within 14 days. Miss C said she was unhappy that the chargeback claim hadn't been progressed and said she had been reassured prior that it was likely to succeed. Monzo raised a complaint to further address her concerns and said they would respond to her by email linked to her Monzo account.

Miss C did clearly ask what this would mean for her unarranged overdraft and the debt due. Monzo confirmed that to fix this, she would need to speak to a specialist. I am therefore persuaded that this clarified that until that conversation took place, the amount would still be due (as the matter would remain 'unfixed' so to speak – i.e. the debt would stand).

I know Miss C has taken a different interpretation of this and felt that she had to wait for further instruction but I can't agree. I've also taken the second call into account:

- 19 July 2024 – Miss C called back regarding the unarranged overdraft and why this had occurred. She said she had raised a complaint prior but she hadn't heard back yet. Monzo did say they could see the complaint raised 24 days ago but it didn't look to have been progressed – and so they'd need to raise it again.

Miss C wanted to add the fact this complaint was missed to the prior complaint issues which Monzo confirmed. She also said she had received an email that she would be defaulted soon but she hadn't been contacted about her complaint.

Monzo did clearly say they couldn't confirm she wouldn't be defaulted by the deadline if the debt wasn't settled but they expected the complaint team would be in touch.

Having reviewed all the evidence, I think the main points are:

- There is insufficient evidence that Miss C was told that the chargeback claim would succeed, and for the reasons explained above, Monzo were entitled to decline the claim and re-debit it later as there wasn't a reasonable prospect of success based on the card issuer rules and evidence available.
- Miss C was aware she was in an unarranged overdraft following the re-debit of the claim but as she didn't accept the claim decline, she wished to raise a complaint. The first wasn't progressed appropriately but at the time of logging the complaint, it was made clear that without a conversation on the existing debt, that matter wouldn't be addressed – i.e. it would still be due.
- Miss C was then aware on the second call that she would be defaulted soon if the matter wasn't addressed and while she felt she needed an answer regarding her complaint, I can't see any assurances made that the payment wasn't still due.

This means that while there were failings with the way the chargeback complaint was handled due to the delays in responding, it would've been reasonable for Miss C to have prioritised clearing the overdue balance as a complaint regarding the chargeback was separate from this requirement. Any compensation due from a successful chargeback claim complaint would've then been handled separately.

Monzo's complaint handling

It's clear there have been deficiencies in Monzo's complaint handling such as the first complaint regarding the chargeback not being progressed in June 2024 and while I won't be commenting on the subject access request handling in any detail, there looks to have been a delay there too.

I consider that the £400 offered to address the general complaint handling failings are appropriate and therefore Monzo needs to pay this for the distress and inconvenience suffered. But I can't say this also means Miss C's default should be removed.

I say this because there is insufficient evidence Miss C was told the arrears weren't still due in time, and as she wasn't contacted regarding the complaint, it would've been reasonable to then pay the outstanding amount to prevent the account closure and default first. I am satisfied Miss C was reasonably informed this would occur and the default notice was sent to the email address tied to her account.

As this was then not paid in time, Monzo was entitled to default and close the account, and update her credit file accordingly.

I empathise with Miss C as she felt she needed an update to the complaint before the due amount was paid. But without any clear evidence to show she was promised that the amount outstanding wasn't due while the complaint was raised, I can't say Monzo need do anything further beyond the £400 payment for their general complaint handling.

My final decision

For the reasons explained above, I uphold this complaint in part. Monzo Bank Ltd must:

- Pay Miss C £400 for the distress and inconvenience suffered from their handling of her complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 12 January 2026.

Viral Patel
Ombudsman