

The complaint

Miss G is unhappy with how Monzo Bank Ltd handled a disputed transactions complaint. It led to her account being closed and a default being registered on her credit file.

What happened

Miss G went on holiday in August 2022. Her card was stolen while she was there, and someone carried out a large number of contactless payments. Miss G reported what had happened quickly. But she accidentally included a few genuine payments that had been made for taxis.

Monzo refunded all the disputed transactions to Miss G, aside from the ones for taxis. It said it wouldn't refund those as they believed them to be genuine. It had already credited Miss G's account whilst it investigated the disputed payments. So when its outcome was delivered it told Miss G it would re-debit the taxi payments as they were authorised.

Monzo also said it would be closing Miss G's account and gave her two months' notice.

Miss G realised she'd accidentally included the taxi payments in her panic to report the fraud. But she said she'd already repaid the taxi company and so if Monzo were to re-debit her account she'd have paid them twice. So she asked Monzo to not take the funds back.

Monzo said it was only reversing the credit it had applied and that the action would continue. The re-debiting of the account meant it moved to an overdrawn position and Monzo confirmed the need to repay the negative balance.

Miss G continued to engage with Monzo, disputing the re-debits. But Monzo's position remained unchanged. It issued Miss G with a default notice in December 2022, setting out its intention to default the account in January 2023 if the balance wasn't repaid. Monzo proceeded to default the account as no payment was received.

Unhappy with how Monzo had handled the matter, its insistence she needed to repay the money, that her account had been closed, and that a default had been registered, Miss G complained to our service.

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'm sorry to disappoint Miss G but I'm unable to uphold her complaint. I'll explain why, dealing with the issues in three separate sections:

- The re-debiting of the account;
- The closure of the account; *and*
- The default.

The re-debiting of the account

Miss G accepts that the payments that were re-debited ought to never have been included in her fraud claim. She's confirmed they were genuine and so it's right that she pays for them.

Miss G doesn't really dispute this, and it is the correct position at law, as established in the Payment Service Regulations (2017).

The issue here is that Miss G believes she's been charged twice for the same payments, because she had to pay a similar total value to the taxi company direct to unlock her account.

I'm satisfied Monzo has only reversed temporary credits that it applied to Miss G's account. It credited her account with these on 11 September 2022, along with the other disputed payments raised by Miss G. It then reversed these credits on 21 November 2022.

This money didn't go to the taxi company when re-debited because it had never been taken from it by Monzo. The money was an internal refund, with no involvement from the taxi company. The taxi company would have had no awareness of Monzo providing Miss G with a temporary credit as Monzo hadn't clawed back funds from it.

If Miss G has had to send money to the taxi company to make up for a deficit of funds, then that would be an issue between her and it. Monzo has only sent money to the taxi company once, on 27 August 2022, as a result of a genuine authorised transaction. If that company then demanded more money from Miss G, and she paid it, that is a dispute she has with the taxi company.

I have carefully been through Miss G's statements, and I think I might be able to shed some light on what's happened here. Along with the payments Miss G disputed with Monzo (there were three to the taxi company that are relevant, having been credited and subsequently re-debited) there are two other payments to the same company, also on 27 August 2022.

These never formed part of the Monzo dispute. Both of those transactions look to have had a direct refund from the taxi company itself. I can tell that's the case because refunds for both transactions were applied on the same day they were made. The payments disputed with Monzo didn't have any kind of refund applied until September 2022. And so it's clear the two sets of payments have been treated completely separately, with Monzo having no involvement in the earlier two.

It then seems more likely than not the money Miss G has repaid to the taxi company is to cover those other payments which were refunded to her before she even raised a dispute with Monzo. It's quite possible this wasn't understood by Miss G at the time because the values for the two sets of payments are so similar at £27.26 (the Monzo disputes) and £27.13 (the direct refunds from the taxi company). But as those journeys were likely confirmed as genuine, it's understandable why the taxi company sought to recover the money it had refunded.

All in all, I can't see that Monzo has acted unfairly or unreasonably here. It applied a temporary credit to Miss G's account whilst it investigated the disputed transactions. It then re-debited the account when it found some of the transactions were authorised, a fact confirmed by Miss G. It gave fair notice of its intent to re-debit the account, and that funds would need to be deposited to cover the balance.

Closure of the account

Monzo took the decision to close the account following the disputed transactions claim. Its terms and conditions allow it to make such a decision and it fairly and reasonably gave the required two months' notice before closing the account. I can't say Monzo has done anything wrong here.

The default

Miss G had withdrawn the total of the refund applied in September 2022, which included the disputed payments to the taxi company. That meant when Monzo re-debited those payments the account was left in an overdrawn position. I can see Monzo gave fair notice that this is what would happen.

The balance then went unpaid, and the overdraft remained. And so Monzo issued a notice of intent to default the account in December 2022. The notice gave guidance on how a default could be avoided.

As no payment was forthcoming it went on to default the account in January 2022, as per its notice, and two months on from when the overdrawn position was created.

I know Miss G was still disputing the balance with Monzo. But I can't say it didn't do all it needed to in telling Miss G about the default or in applying it. Monzo has a responsibility to report the status of an account in arrears. That means applying a default if the account remains where repayment hasn't been made. This might have come about as a result of an honest mistake on Miss G's part. But I have to keep in mind that Monzo has a responsibility to accurately report the status of accounts, and there were opportunities for Miss G to avoid the default.

I'm also satisfied Monzo did enough to explain why the balance was due, in referring to the payments that had been refunded and then re-debited.

I don't doubt that the default will have had – and will continue to have – a significant impact on Miss G. But Monzo has acted fairly and reasonably throughout here, and so I can't say the default needs to be removed.

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 G to accept or reject my decision before 24 April 2024.

Ben Murray
Ombudsman