

The complaint

Miss S is unhappy that Monzo Bank Ltd wouldn't reimburse her money that she lost because of a scam.

What happened

In March 2020, Miss S was messaged by someone identifying themselves as her company CEO who asked her to purchase some gift cards on behalf of the business so that they could be given to clients. Miss S believed that the messages that she was receiving were genuine, so she purchased gift cards totalling approximately £2,000 and sent the gift card codes to the scammer via the messaging portal.

It was only later that Miss S realised that she had been the victim of a scam and contacted the gift provider and Monzo Bank to request that the purchase payments be reimbursed. The gift card provider agreed to reimburse approximately half the amount that Miss S had spent, and Miss S had hoped that Monzo Bank would agree to reimburse the remaining £1,000.

But Monzo Bank didn't think they should bear the cost of reimbursing Miss S here, so they declined Miss S's request. Miss S wasn't happy about this, so she raised a complaint.

Monzo Bank looked at Miss S's complaint, but they felt that they had allowed transactions that Miss S had authorised and wanted to make and so they didn't feel that they had done anything wrong and so shouldn't be asked to bear the cost of the loss that had been incurred. So, they didn't uphold the complaint.

Miss S wasn't satisfied with Monzo Bank's response, so she referred her complaint to this service. One of our investigators looked at this complaint. They felt that Miss S's purchases of the gift cards were transactions that Monzo Bank should have recognised as being suspicious, and that if Monzo Bank had asked Miss S about these transactions before allowing them then it was likely that it would have been realised that this was a scam. So, they recommended that the complaint should be upheld, and that Monzo Bank should reimburse the outstanding £1,000 to Miss S.

Monzo Bank disagreed with the view put forward by our investigator, so the matter was escalated to an ombudsman for a final 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.

I issued a provisional decision on 7 April 2021, in which I stated as follows:

It's clear that Miss S has been the victim of a sophisticated scam here, and I sympathise with the position that she finds herself in. Miss S believed that she was acting under the instruction of her company CEO, and so she made the gift card

purchases in good faith such that they were transactions that were authorised by herself.

The question I have to consider is whether it's fair and reasonable to instruct Monzo Bank to reimburse Miss S and so to bear the cost for the money that has been lost here.

Given that the transactions in question were authorised by Miss S - as explained above – in order to make such an instruction, I would need to be satisfied both that Monzo Bank should have recognised that the purchases that Miss S were making were potentially of concern so that they should have prevented Miss S from making the transactions before speaking to her about them, and also that any conversation that they had with Miss S would have demonstrated that Miss S was in fact in the process of being scammed.

Ultimately, I'm not satisfied either that Monzo Bank should have prevented these transactions from taking place, or that it would have been discovered that a scam was taking place if they had spoken to Miss S about them.

I say this because the gift cards were all purchased by Miss S in person from her local supermarket using her Monzo Bank debit card. This means it's difficult to argue that Monzo Bank should have had any concerns about the parties involved in the transactions, such as might have been the case had, for instance, the transactions been made online and to an overseas or recently formed company.

And I'm not convinced that Monzo Bank should have placed a hold on these transactions because of the number of the transactions or the fact that Miss S took her account balance to zero, and this is because purchases such as these are transactions that Miss S can reasonably make – and indeed, Miss S was personally making these transactions.

Monzo Bank have explained to this service the transaction monitoring isn't designed to flag and prevent unusual card spending, and this is because it wouldn't be possible to do this without flagging and stopping an unacceptable level of legitimate payments which would lead to similarly unacceptable levels of customers being wrongly prevented from making perfectly legitimate transactions. This seems reasonable to me, especially considering that other fraud prevention measures exist for debit cards, such as chip and pin. Although these measures can be circumvented if the card holder authorises what they believe to be genuine transactions, as was the case here.

So, while I sympathise with Miss S, I don't feel that Monzo Bank should have stopped the transactions from taking place, and because of this I don't feel that it would be fair to instruct Monzo Bank to bear the cost of these transactions and reimburse the £1,000 that Miss S has been unable to recover.

I also must note that, even had Monzo Bank contacted Miss S about these transactions, I'm not convinced that Miss S wouldn't have been able to explain these transactions to Monzo Bank such that they would have agreed to allow the transactions to take place.

I say this because of the sophisticated nature of this scam, including that Miss S was convinced herself that she was acting on the request of her CEO, and I feel that Miss S would have been able to provide a convincing explanation to Monzo Bank as to why these transactions were being made.

And there are also other elements of what happened here, including Miss S talking to another company director who confirmed to her that the CEO had some tasks that he wanted Miss to take care of, which contributed to Miss S believing that she was acting at the request of her CEO. And because of this I feel that it is more likely than not, on balance, that Miss S would have assured Monzo Bank that she wanted these transactions to be allowed to continue.

All of which means that I provisionally won't be upholding this complaint or asking Monzo Bank to take any action at this time.

In my provisional decision I gave both Miss S and Monzo Bank until 7 May 2021 to make any comments or raise any objections that they might have with my provisional decision. Monzo Bank didn't comment, while Miss S expressed her disappointment at my provisional decision and raised several objections.

Miss S stated that she strongly believes that Monzo Bank should have questioned the unusual activity of the transactions and contacted her to ascertain what the transactions were for. However, as stated in my provisional decision, Monzo Bank have explained that transaction monitoring isn't designed to flag and prevent unusual card spending – such as these transactions were – and this is because it wouldn't be possible to do this without erroneously flagging and stopping an unacceptable level of legitimate customer transactions. And, as also stated in my provisional decision, I'm satisfied with Monzo Bank's explanation and position here.

It's also the case that Miss S was purchasing the gift cards in person at high street supermarkets. I feel this point is significant as it would be unusual for a bank to prevent a person from buying items in person at such a well-known store. Miss S has expressed her disagreement with this point, stating that the transactions were of such an unusual nature that they should have been recognised as such by Monzo Bank and prevented accordingly.

I don't share Miss S's viewpoint on this matter, and I wouldn't necessarily expect a bank to prevent a customer from making a large transaction in person at a well-known supermarket, even if that bank had a system in place to monitor and prevent in-person card transactions, which as explained above, Monzo Bank do not.

Finally, Miss S has stated that if the transactions had been prevented, and if she was challenged as to why she was making these transactions, that she would have realised that a potential fraud was taking place and that she would have checked with her company whether they had in fact asked her to purchase these gift cards.

I can appreciate that Miss S feels strongly about this point, but it's one that she's making with the benefit of hindsight. Given that Miss S believed she'd been instructed to purchase the gift cards by her CEO and had been given a plausible reason as to why these gift cards were needed, along with the coincidence of another company director telling her that her CEO had some unspecified tasks for her, I feel that it's more likely than not, on balance, that Miss S would have explained the position as she believed it at the time to whomever challenged her about these transactions and requested that the transactions be allowed to go ahead.

Ultimately, having taken on board Miss S's objections, I'm still not convinced that Monzo Bank have committed any form of error or omission such that they should be asked to reimburse Miss S and effectively bear the cost of the loss that has been incurred here.

I say this because the nature of the scam was such that Miss S made transactions that fell outside of the parameters that I would reasonably have expected Monzo Bank to monitor and take preventative action upon, for the reasons explained above.

That isn't to say that I don't continue to sympathise with Miss S here – I certainly do – but it remains the case that I don't feel that I can fairly or reasonably instruct Monzo Bank to reimburse Miss S, because I don't feel that Monzo Bank have acted improperly here such that they should be held responsible for this loss.

I realise that this won't be the outcome that Miss S was wanting, but it follows from this that my final decision will be that I won't be upholding this complaint and that I also won't be asking Monzo Bank to take any further action at this time. I hope that Miss S can understand, given everything I have explained in both my provisional decision and above, why I have made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 8 June 2021.

Paul Cooper
Ombudsman