DRN-2922726

The complaint

Ms P complains that Monzo Bank Ltd didn't do enough to help when she fell victim to an investment / trading scam.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a very brief overview of some of the key events here.

In June 2020 Ms P made a debit card payment to a merchant I'll refer to as 'P'. The payment was for around £450. At the time Ms P believed she was crediting a legitimate investment platform.

Having made the payment, Ms P says she later discovered that P were unregulated and she concluded they were operating a scam. She contacted Monzo and asked them to help her get her money back through a chargeback.

Monzo looked into this but ultimately said they couldn't assist. They said there was no protection under the chargeback scheme in these circumstances. Ms P complained and when Monzo maintained their position the complaint was referred to our service. One of our Investigators sympathised with Ms P's position but didn't recommend that the complaint should be upheld. Ms P disagrees and has asked for an Ombudsman to review her complaint.

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.

Monzo are bound by the card scheme provider's chargeback rules which in this case is Mastercard. Whilst there is no 'right' to a chargeback, I generally consider it to be good practice that a chargeback be raised if there is a reasonable chance of it succeeding. But a chargeback can only be made within the scheme rules.

Under the Mastercard scheme rules there is limited protection for payments going to investments. Our service has clarified with Mastercard that there may be a chargeback route to pursue if the merchant doesn't make available on it's platform funds transferred to it. But in this case, the nature of Ms P's claim is that P were operating a scam, and this isn't something the chargeback scheme provides protection against. So, I don't think Monzo acted unfairly when declining to take a chargeback further, as I don't think their conclusion that there wasn't an avenue for them to pursue that had any prospect of success was unreasonable.

Our Investigator also considered whether Monzo ought to have intervened when the initial payment was made. She concluded that the debit card payment wasn't so unusual that she would have expected Monzo to have intervened at the time. Ms P disputes this, she has quoted from and referenced the British Standard Institute (BSI) PAS 17271 (2017) – Protecting Customers from Financial Harm from Fraud Code.

I’ve considered all of this and it isn’t in dispute that Monzo has (and had) obligations to be alert to fraud and to act in its customers best interests. So, the starting point here is whether the instruction Ms P gave to Monzo when authorising the debit card payment was unusual in relation to the typical account activity.

Clearly there is a balance to be struck between allowing customers access to their funds and being alert to instances of potential fraud and scams. Prior to the payment in question, Ms P had recently made payments of broadly similar amounts. Overall, I don’t think Monzo were wrong to allow the payment to be made. I don’t think the activity was so unusual for this particular account where I think it would have been reasonable for them to have intervened and to have spoken to Ms P before processing it. I also don’t think there were any other reasons for Monzo to have done more before following the instruction Ms P provided.

I’m sorry Ms P has lost money in this way. But I don’t think Monzo reasonably ought to have done more at the time the payment was made, nor do I think they ought to have done more to pursue a chargeback. As such, I can’t fairly tell them to do anything further to resolve this complaint.

My final decision

For the reasons outlined above, my final decision is that I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Ms P to accept or reject my decision before 4 July 2022.

Richard Annandale
Ombudsman