DRN-3039964

The complaint

Mrs M complains that Monzo Bank Ltd won't refund money lost when she fell victim to a scam.

What happened

Where the particulars of the complaint are well known to both parties, I won't detail them again here. Rather, I'll focus on setting out the reasons for my decision. I hope Mrs M and Monzo won't take this as a discourtesy; it's just a reflection of the informal nature of our service.

Mrs M wanted to buy some clothing online and intended to pay around £70 for the items using her PayPal account. But when she went to pay the online merchant, she was told that she needed to speak to PayPal before she could go ahead. Wanting to rectify that, Mrs M looked up the number for PayPal and found what she thought was a genuine customer services' number. It turned out the number was fraudulent, on a fake website and in use by a scammer.

Mrs M was told by who she thought was a PayPal agent that she needed to share some details about her Monzo account to proceed with the payment for the clothing. Mrs M can't remember exactly what information she disclosed, but we know that her intention was to verify the purchase so that a payment could be made from her account. What followed was a payment of £650.03 to an altogether different merchant, which for the purposes of this decision I'll refer to as "E"".

When Mrs M realised what had happened, she reported the scam to Monzo. The bank declined to reimburse the transaction, as it said it had been authorised. It also thought that Mrs M hadn't taken reasonable measures to keep her details safe. And the bank stood by its decision when Mrs M raised a complaint.

Mrs M brought the dispute to our service and one of our investigators concluded that Monzo could not fairly be required to refund the payment. Because Mrs M disagrees, the matter has been escalated to me to decide.

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.

Having considered everything carefully, I've reached the same outcome as our investigator – and fundamentally for the same reasons. I know my decision will be disappointing for Mrs M. This is a finely-balanced case and I'd like to assure her that I've duly considered everything that's been provided. Including, the vulnerabilities that she has described to this service.

But based on the evidence, I'm not persuaded that Monzo ought to refund the disputed transaction on account of the following:

1) As a starting point, Mrs M contests that she shared confidential details of her Monzo account – she disagrees with Monzo's position that she failed to take reasonable measures to keep her account information safe. Whereas, Monzo has provided evidence which demonstrates that Mrs M did in fact share specific information with the fraudsters, and so this transaction must be considered to have been 'authorised'.

2) The question of authorisation is a key one in a case of this kind. Because, although it's common ground that Mrs M didn't set out to be scammed, under the Payment Services Regulations 2017 (PSRs), and general banking terms and conditions, she is presumed liable in the first instance if she authorised the transaction.

3) I've listened to the relevant call recordings of when Mrs M first reported the scam to Monzo and the subsequent conversations she had with the bank. I've also reviewed transcripts of the online chat messages she shared with Monzo. On Mrs M's version of what happened, she did tell the bank on multiple occasions that she shared certain information with the fraudsters. By her own admission, both over the phone and as clearly described in these online exchanges, she gave the fraudsters what they asked for under the guise of them facilitating a payment for her.

4) Conversely, Mrs M later told the bank and our service that she *didn't* disclose such details. I am therefore faced with a statement from Mrs M which, with respect, is slightly vague and self-contradictory regarding what are critical elements to this dispute.

5) What's more, Mrs M has conceded that her memory was hazy in part. While I can appreciate that her recollection may not be entirely clear, and this was unmistakably an upsetting ordeal, for me to accept her side of things and agree this was an unauthorised payment, I would need to be convinced there was another plausible explanation for how it went ahead. However, based on what's before me, I'm not satisfied there was a persuasive alternative.

6) Indeed, we know the verification code sent by Monzo was needed in order to proceed with the transaction. It was part of a secure method of confirming whether Mrs M was happy to go ahead with the payment – with her being the only recipient of the code. There's no suggestion of how else the fraudsters were able to obtain this unique set of data. Consequently, it's highly unlikely the payment was executed without Mrs M sharing this information.

7) In situations like these, where evidence is incomplete, inconclusive or contradictory, I need to decide a complaint on what I think is more likely than not to have happened in light of all the available evidence and the wider surrounding circumstances.

8) On balance, I'm persuaded that Mrs M found what she believed to be PayPal's website when she searched for it online. And when she called the number provided, she thought she was speaking with PayPal. When told she needed to provide further information for the payment for the clothing to go ahead, I think Mrs M provided her card details to the scammer to carry out a transaction. This likely included the long card number, the expiry date, the CVV on the reverse, and when the payment was requested, Mrs M disclosed the verification code she'd been sent by Monzo.

9) By providing her card details to the scammer, Mrs M provided apparent authority for the disputed transaction to be carried out, which she ultimately consented to by divulging the verification number. The £650.03 payment was therefore authorised, even though Mrs M was the victim of a scam.

10) I realise Mrs M may disagree, but I must follow the evidence and, ultimately, there's strong evidence that she did authorise this payment according to the PSRs. Besides, if Mrs M was tricked into making a payment, or deceived about the amount she was paying, that doesn't necessarily make the payment transaction *unauthorised*.

11) I've gone on to consider what the payment being authorised means in the circumstances of this complaint, taking into account the law, regulator's rules and guidance, relevant codes and practice and what I consider to have been good industry practice at the time.

12) In summary, Monzo has a responsibility to monitor accounts and payments made to, amongst other things, prevent fraud and scams. And the bank needs to have systems in place to look out for unusual transactions or other signs that might indicate its customers are at risk of fraud. So, in the individual circumstances of this case, I've considered whether Monzo should have deemed this payment as being so unusual or uncharacteristic that it ought to have given the bank sufficient grounds for suspecting fraud.

13) Looking at the statements from the account opening, there were regular card payments and another £600 transaction carried out in recent times. The disputed transaction did not completely drain the account of its available balance. It's evident that Mrs M had made numerous online card purchases, similar to the one in dispute.

14) I also have to bear in mind that Mrs M hadn't been with Monzo for long – she had only held a relationship with the bank for a little over two months. The lack of information and history of expenditure naturally limited the amount of data that Monzo had to accurately gauge Mrs M's usual spending pattern.

15) In isolation, the payment to E was not for a distinctive amount when looked at against the backdrop of what Mrs M paid *in*. In fact, Mrs M had replenished the account with at least ten cash deposits that totalled well over twice that amount, all within the space of less than three months. Therefore, there's a reasonable argument that, from the bank's perspective, this was simply a planned payment which was made possible by frequent credits.

16) The PSRs are designed to protect consumers, but also to ensure that banks provide services without undue delay. So, there is a balance to be struck between bankers identifying payments that could potentially be fraudulent, and minimising disruption to legitimate payments. I don't consider that a payment of *c.*£650 – when considered in the context of a new account with repeated credits being paid in – is a large enough sum to have attracted suspicion. If Monzo were expected to intervene for every payment around £650, it would risk grinding the banking/payment system to a halt.

17) Mrs M submits that a new payee should be enough to trigger the bank to take action. In a sense, a new payee was created in order for the payment to be made to E – Mrs M had never paid the beneficiary before. Accordingly, I've considered whether this alone should've been enough to trigger the bank's fraud detection measures.

18) Having done so, I'm afraid I don't agree with Mrs M. As I've already explained, banks do have a responsibility in respect of transaction monitoring. But I'm not satisfied that, on its own, the creation of a new payee is enough to indicate uncharacteristic activity and warrant intervention from a bank. Indeed, the nature of a new account is that it would be expected that a number of new payees be created in the first few months.

19) Finally, Mrs M submits that Monzo ought to have been alerted by a £1 payment into the account just before the disputed transaction was made. As I understand it, this same amount was then debited moments after the £650.03 was sent. For the avoidance of doubt, it's not entirely clear how Mrs M expected Monzo to have identified that these three payments were all connected to a scam taking place – there doesn't seem an inextricable link between them.

20) But in any case, given the nominal amount of both the credit and debit, I am not persuaded that Monzo breached its duty here. Even more so, when considering this activity in contrast to the vast majority (if not all) of the recent payments made both into and out of Mrs M's account. Account movements of £1 could very rarely be regarded by a bank as suspicious. And a token payment can be a genuine method of verifying a consumer by merchants; such reversals quite often serve as a means to confirm that the account details presented are correct. So, the presence of this credit/debit in quick succession does not convince me that Monzo should have taken further steps to contact Mrs M before querying the payment in question.

21) In conclusion, I have a great deal of sympathy with Mrs M being the victim of what was clearly a cruel scam. But it would only be fair for me to direct Monzo to refund the loss if I thought the bank was responsible – and I'm not persuaded that this was the case. Everything considered, I cannot fairly and reasonably hold Monzo liable in these circumstances. It follows that I will not be asking the bank to take any further action.

My final decision

For the reasons given above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 23 November 2021.

Matthew Belcher
Ombudsman