

The complaint

Miss W complains that Monzo Bank Ltd (Monzo) didn't do enough to protect her from falling victim to a scam. She thinks it should reimburse her losses of £33,000.

What happened

The details of this complaint are well known to both parties, so I won't repeat them again here. The facts are not in dispute, so I'll focus on giving the reasons for my 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.

Having done so, I agree with the conclusions reached by the investigator for these reasons:

- It's accepted that Miss W fell victim to a scam. It's also accepted that she authorised these payments. In line with the Payment Services Regulations, Monzo has a duty to execute authorised payment instructions without undue delay. So, the starting position here is that Miss W is liable.
- But there are some situations where we believe banks ought to have identified a potential fraud risk, so should have looked at the wider circumstances surrounding the transaction before making the payment. If they failed to do so, and that failure led to a loss for their consumer, it may be fair to hold them liable.
- Although Monzo doesn't think it acted in error here, we have a duty to resolve complaints based on what we consider to be fair and reasonable in all the circumstances, taking into account not just the law, but also regulators' rules and guidance, relevant codes of practice and what we consider to have been good industry practice at the time. So, I consider it reasonable to expect Monzo to have had measures in place to identify, and respond to, signs of possible fraud such as unusual or uncharacteristic account activity.
- Miss W made an initial payment of £1,000 as a test. I don't think this was substantial enough to say that it should have triggered Monzo's fraud alert systems and I note that she received this payment back, as well as an additional £203.15.
- But Miss W went on to make further payments of £10,000, £3,000, and £20,000 on 28 August, 5 September, and 11 September 2020 respectively – and I think Monzo should've intervened here. The first of these payments – the £10,000 payment – was out of character for Miss W. It was a significant sum, which was also far more than she'd spent on the account previously, to a new payee and was an international payment.
- While Miss W's relationship with the scammer escalated quickly, I'm persuaded that an intervention could have unravelled this scam. I say this because Miss W believed

this was a real investment, so I think she'd have been willing to disclose details of it had she been asked questions. The company she believed she was paying is a well-known *betting* website, whereas she was under the impression she was *investing*. I think it likely that this then would have – and should have – prompted further questions. And that it would have become clear that she had very little understanding of where her money was going, and was placing her trust entirely in an individual whom she'd only known for a matter of weeks and only in a virtual setting. Had an appropriate intervention taken place, I don't think Miss W would have continued with this payment, nor the £3,000 or £20,000 payments that followed.

- Furthermore, before making the payment for £20,000, I note that Miss W needed to ask Monzo to increase the payment limit. Having reviewed the 'live chat', I can see that Miss W was asked the purpose of the payment. She told Monzo it was a transfer to a friend and that they have a "*plan for investment*". Following this, Miss W's limit was raised to £20,000 – substantially more than she'd paid using the account previously – and Monzo directed her to make the payment by midnight. Monzo acknowledges that they didn't ask Miss W whether she trusted the person or check on the possibility of this being a scam. In my opinion, Miss W's answers should have prompted further questioning from Monzo and this, again, would likely have led to the unravelling of this scam. Instead, the payment limit was increased – resulting in £33,000 being spent across a span of around two weeks – and an opportunity to prevent further losses was missed.
- I turn next to whether Miss W ought to bear some responsibility for her loss – but I don't think she should. She told us she researched the company and, given that it's a well-known betting firm, it would have appeared to have been a legitimate company, though we now know the 'app' she downloaded with the same name was unrelated to this firm. I note that on her first payment – of £1,000 – she received a return of around £200, so this would have helped with the perception that this was a legitimate investment. So, I don't think it would be reasonable to suggest she should bear any responsibility for the loss by way of contributory negligence – I think Miss W was the victim of a sophisticated and persuasive scam in which she became emotionally invested.

In summary, while I agree that these payments aren't covered by the Contingent Reimbursement Model (CRM) as these were international payments, this doesn't remove Monzo's responsibility to identify and respond to signs of possible fraud. I'm satisfied that there should have been an intervention here and, if there had been, the scam would likely have been uncovered, preventing Miss W's losses.

My final decision

For the reasons given above, I uphold this complaint and direct Monzo Bank Ltd to refund Miss W's loss of £33,000. And it should pay 8% interest on this amount from the date of payment to the date of settlement.

If Monzo considers that it's required by HM Revenue & Customs to deduct income tax from the interest award, it should tell Miss W how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue and Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 21 September 2022.

Melanie Roberts
Ombudsman