

The complaint

Miss R is unhappy that Monzo Bank Ltd refused to provide her a refund after she fell victim to a fraud.

What happened

In early 2021, Miss R was contacted by a person on a social media platform claiming to work as an agent for a cryptocurrency investment platform. Miss R looked at the web page for the business—which she thought looked real—and had seen a number of positive reviews about the business.

Miss R followed the agent's instruction to fill out her details on their website and was persuaded to make an initial investment of £1,500. After making her initial investment, Miss R was asked for a number of further payments for what the agent described as tax, maintenance, securities, certificates and the withdrawal of the investment.

Miss R, in total, paid circa £30,000 to the agent. £14,261 of this was paid through her Monzo account. These were made up of several card payments to a legitimate cryptocurrency platform that held a wallet in Miss R's name. She then forwarded the payments from her cryptocurrency wallet to a Bitcoin address the agent had provided her. Unfortunately, it later transpired that Miss R had fallen victim to an investment scam.

Miss R made a complaint to Monzo stating that it could have done more to protect her. Monzo initially responded partially upholding her complaint. But this was due to minor administrative errors in service. It didn't however agree that it should be held liable for the payments made.

Miss R brought her complaint to our service for an independent review. This prompted Monzo to reassess the complaint and it agreed it should have repaid some of the funds lost.

It said that its systems did flag the payments as suspicious and it temporarily blocked the account after £7,961 of the payments had been made. However, appropriate steps were not taken after the suspicious activity was identified and the account was unblocked. Therefore, Monzo refunded £6,300 of the payments. It also offered to pay Miss R 8% interest on the amount and £200 in compensation to apologise for not reimbursing the funds sooner.

Miss R didn't accept this offer. She felt that Monzo should have refunded all the payments made. So, an Investigator considered the evidence provided by both parties.

Having done so, they concluded that Monzo should have done more. Broadly, they felt Monzo should have identified the payments from the first one made. But they also felt that Miss R could have done more to protect herself. So, they recommended Monzo repay 50% of the remaining payments lost: calculated at £3,980.50.

Monzo disagreed. It said Miss R made legitimate purchases of cryptocurrency and didn't think the payments were out of character considering the lack of account history.

As Monzo disagreed with the Investigator's assessment, the matter was passed to me for a decision. After reviewing the information provided by both parties, I didn't agree with the Investigator's assessment. I therefore issued a provisional decision on the 20 October 2022 to both parties asking for any further comments before issuing my final decision. My provisional decision said:

'It's common ground here that Miss R authorised the payments in dispute. She was duped by the fraudsters into making the card payments to her cryptocurrency wallet and sending this on to the fraudsters. I accept that these were authorised payments even though Miss R was the victim of a scam. And although she didn't intend the money to go to fraudsters, she is presumed liable for the loss in the first instance.

However, taking into account the law, regulator rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider Monzo should fairly and reasonably:

- Have been monitoring accounts, and any payments made or received, to counter various risks, including money laundering, countering the financing of terrorism and preventing fraud and scams.*
- Have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk (among other things). This is particularly so given the increase in sophisticated fraud and scams, which banks are generally more familiar with than the average customer.*
- In some circumstances, irrespective of payment channel used, have taken additional steps, or make additional checks, before processing a payment, or in some cases declined to make the payment altogether. To help protect customers from the possibility of financial harm from fraud.*

Monzo submitted in its response to the Investigator's assessment that it didn't agree it should have intervened in the first payment made by Miss R to her crypto wallet. It pointed out that these types of transactions are common across its customer's accounts. It also relied upon the lack of account history Miss R had to argue that it couldn't reasonably have identified the first payments as a potential risk. But I'm not persuaded by this argument.

Monzo has supplied statements for the account dating back a year prior to the first transaction made. I think this is a sufficient amount of time to build a sense of a customer's pattern of spending and what may be considered out of character.

Having looked at these statements, Miss R seldom made transactions of any substantial value. The highest payment on Miss R's account was for £100, and the account was generally used for lower value payments and transactions of less than £50. So, when Miss R made the first payment of £3,500, I think this was considerably out of character for her account. It saw a sudden, and sharp, increase in spending which almost cleared the balance of the account; two significant red flags that an account may be at risk.

While not necessarily important to highlight, considering the out of character payment, I also think that a payment to a crypto platform does increase the risk of the payment. Particularly where the customer isn't known to have made payment to one previously. Crypto scams are prevalent and generally used by fraudsters to extract funds from victims without detection.

So, considering the above factors, I'm persuaded that the first payment made by Miss R was out of character and should have prompted concern and intervention by Monzo. I'm also persuaded that Monzo likely would have been able to prevent any further payments

being made.

Had Miss R disclosed the circumstances in which she was approached regarding the investment—through social media—and she explained the return she was promised from it, it would have been quite obvious she was falling victim to a scam. And this no doubt would have led to the appropriate warnings, or Monzo stopping the payment altogether. Having said this, these facts also persuade me that Miss R should also take some responsibility for the payments made.

I accept that Miss R was likely naïve when it came to financial matters and was inexperienced in investments of this nature. But I feel she ignored red flags when it came to the investment proposal and the reasons for the subsequent payments that she was being asked to make to release the initial investment.

Miss R was told initially that if she invested £350, she would see returns of over £4,500. Had she conducted minimal research on investments, I think she would have seen this was unrealistic and too good to be true. She also proceeded to make circa £25,000 in payments post her original £1,500 investment for what the fraudster described as tax, maintenance, securities, certificates and the withdrawal of the investment. I think this should have caused Miss R some concern considering she'd invested a significantly lower amount than the subsequent payments she was instructed to make.

Miss R has said she felt pressured to make these payments to prevent her losing her original investment, but she did have time to take a step back and consider the legitimacy of the requests being made. She also had an opportunity to question these requests further and seek advice on whether they were genuine. But instead, she continued to make a substantial number of transactions despite the increasingly suspicious nature of their purpose.

I've also seen a limited number of screenshots of the communication she had with the fraudsters. These don't strike me as professional in their content and I find they should have caused Miss R some concern.

For all the above reasons, I think Miss R should bear equal responsibility for her loss. Monzo has already reimbursed Miss R £6,300 of the payments made, so I'm minded to say it should now go ahead and refund Miss R the remaining 50% of the payments.

As Miss R has told our service that the payments were funded from her savings' account, held with another bank, I'm minded to say that Monzo should pay that account's interest rate for the time Miss R was without the funds. I'm also minded to say that the £200 offered by Monzo as payment for the distress and inconvenience of not settling this claim sooner is fair in the circumstances.'

Miss R agreed with the findings and proposed outcome set out in the provisional decision. However, Monzo maintained its position that it had fairly resolved the matter already by giving a partial refund. But it didn't give any further comment or considerations.

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.

As no further comment or considerations have been provided by either party, I don't intend to depart from my provisional decision above.

While I appreciate Monzo still disagrees with my position on this matter, I have explained in detail why I find this to be a fair and reasonable outcome in the circumstances.

Putting things right

Monzo should now go ahead and settle the complaint as proposed in the provisional decision.

My final decision

For the reasons I've given above, I uphold this complaint and direct Monzo Bank Ltd to:

- Refund Miss R the remaining 50% of the total payments she made – calculated at £830.50.
- Pay simple annual interest at the savings' account rate where the funds originated from: given as 0.30%. Monzo should pay this from the date of the payments to the date it settles with Miss R. This will vary on the £6,300 already paid and the £850.50 yet to be settled.
- Pay Miss R the £200 offered for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 23 November 2022.

Stephen Westlake
Ombudsman