

The complaint

Miss S complains that Monzo Bank Ltd won't reimburse the money she's lost to a scam.

What's happened?

Miss S has fallen victim to a cryptocurrency investment scam. She says that a man befriended her on a popular social media platform, and, after a while, he suggested that she invest in a company which I'll refer to as ('A'), with his assistance. Between 23 August and 4 September 2021, Miss S made:

- 20 faster payments into her Monzo account from a current account she held with a third-party bank which I'll refer to as ('H') – totalling £78,305.00.
- 21 debit card payments from her Monzo account to a cryptocurrency trading account held in her name – totalling £78,340.00.

All of the money paid into her cryptocurrency trading account was 'invested' with A.

I've set out the relevant transactions on Miss S' Monzo account in the table below.

Date of transaction	Type of transaction	Amount of transaction
23 August 2021	Faster payment into Miss S' Monzo account from her account held with H	£5,000.00
23 August 2021	Faster payment into Miss S' Monzo account from her account held with H	£5,000.00
23 August 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£3,000.00
24 August 2021	Faster payment into Miss S' Monzo account from her account held with H	£3,000.00
24 August 2021	Faster payment into Miss S' Monzo account from her account held with H	£5,000.00
24 August 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£5,000.00
24 August 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£5,000.00
25 August 2021	Faster payment into Miss S' Monzo account from her account held with H	£4,000.00

25 August 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£5,000.00
25 August 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£4,000.00
26 August 2021	Faster payment into Miss S' Monzo account from her account held with H	£5,000.00
26 August 2021	Faster payment into Miss S' Monzo account from her account held with H	£5,000.00
26 August 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£5,000.00
26 August 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£5,000.00
27 August 2021	Faster payment into Miss S' Monzo account from her account held with H	£5,000.00
27 August 2021	Faster payment into Miss S' Monzo account from her account held with H	£5,000.00
27 August 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£5,000.00
27 August 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£5,000.00
28 August 2021	Faster payment into Miss S' Monzo account from her account held with H	£5,000.00
28 August 2021	Faster payment into Miss S' Monzo account from her account held with H	£5,000.00
28 August 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£5,000.00
28 August 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£5,000.00
29 August 2021	Faster payment into Miss S' Monzo account from her account held with H	£455.00
29 August 2021	Faster payment into Miss S'	£15.00

	Monzo account from her account held with H	
29 August 2021	Faster payment into Miss S' Monzo account from her account held with H	£5,000.00
29 August 2021	Faster payment into Miss S' Monzo account from her account held with H	£4,495.00
29 August 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£490.00
29 August 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£15.00
29 August 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£5,000.00
29 August 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£4,495.00
30 August 2021	Faster payment into Miss S' Monzo account from her account held with H	£8,745.00
30 August 2021	Faster payment into Miss S' Monzo account from her account held with H	£1,250.00
30 August 2021	Faster payment into Miss S' Monzo account from her account held with H	£5.00
30 August 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£1,255.00
30 August 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£5,000.00
30 August 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£3,745.00
2 September 2021	Faster payment into Miss S' Monzo account from her account held with H	£340.00
2 September 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£340.00
4 September 2021	Faster payment into Miss S' Monzo account from her	£6,000.00

	account held with H	
4 September 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£5,000.00
4 September 2021	Debit card payment from Miss S' Monzo account to a cryptocurrency trading account held in her name	£1,000.00

Eventually, when Miss S ran out of money, the man stopped contacting her and she realised she'd been scammed. She reported the matter to Monzo in September 2021, and it told her that it was unable to instigate chargebacks in this instance because Miss S received the service she paid for. Miss S has asked this Service to investigate.

Miss S has said that:

- She researched A online and it looked legitimate – it had a compelling website with 24-hour online customer service.
- The man was convincing, professional and knowledgeable – he gave her no reason to doubt the investment opportunity. She was vulnerable at the time and she believed everything he said.
- She had no knowledge of these types of scams and didn't have much experience with investments.
- She made two small debit card payments to her cryptocurrency trading account from her account with H before making payments to A, and these returned some small dividends. This convinced her of the legitimacy of the investment opportunity.
- It was unusual for her to transfer large amounts of money out of her Monzo account in a short timeframe.
- She wouldn't have proceeded to make the relevant debit card payments if Monzo had told her it was likely she was being scammed.

Our investigator considered all of the evidence and upheld Miss S' complaint in part. In summary, they said that:

- Miss S ought reasonably to have done more to protect herself from financial harm in the circumstances, so she should bear the responsibility for 50% of her loss.
- The activity on Miss S' Monzo accounts was unusual enough from 23 August 2021 that the bank ought reasonably to have been concerned and intervened to ensure that Miss S wasn't at risk of financial harm.
- If Monzo had intervened, the scam would probably have been uncovered.
- H could also have intervened and uncovered the scam, so Monzo should share responsibility for the remaining 50% of Miss S' loss with H.
- Monzo should refund 25% of all the debit card payments to Miss S' cryptocurrency trading account as part of this scam.

Monzo didn't agree with our investigator's conclusions. It said:

- The debit card payments were authorised and didn't trigger its fraud detection system.
- Miss S made the debit card payments to a cryptocurrency trading account held in her own name, so it had no suspicions of criminal activity.

Miss S' case has now been passed to me 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.

When considering what is fair and reasonable, I'm required to take into account; relevant law and regulations; regulator's rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the relevant time.

It's common ground that Miss S authorised the debit card payments to her cryptocurrency trading account. She made the payments using the debit card linked to her Monzo account and, even though she was the victim of a scam, and she didn't intend the payments to go to a fraudster, the payments were 'authorised' under the Payment Services Regulations. So, the starting point is that Monzo had an obligation to follow Miss S' payment instructions, and Miss S is presumed liable for her loss in the first instance. But that's not the end of the story. There are circumstances in which a bank should make additional checks before processing a payment, or in some cases, decline to make a payment altogether, to help protect its customers from the possibility of financial harm. I consider that Monzo should:

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

I've thought carefully about what Monzo has said in terms of the payments made from Miss S' account as part of this scam. In particular, it's said that it wasn't suspicious about the payments as they went to another account held in Miss S' name. I accept this, but Monzo should have been on the lookout for signs that customers were at risk of fraud, not just for unusual transactions. I've looked at Miss S' account statements in the months leading up to the scam and I think that the activity on her accounts as a whole between 23 August and 4 September 2021 ought reasonably to have caused Monzo some concern. Before the scam, Miss S' account was used irregularly for payments – she only made a couple of relatively low value payments out of her account. But from 23 August 2021, there was a flurry of activity on Miss S' account. In a short timeframe, over £78,000.00 was transferred into, and out of her account in a number of transactions. Additionally, there were no transactions occurring on the account that matched with normal activity in this time. Overall, I think the activity on Miss S' accounts from 23 August 2021 looks unusual, very suspicious and is indicative of fraud. I consider it reasonable to expect Monzo to have intervened in the circumstances, to ensure that Miss S did not come to financial harm.

Monzo has said that the debit card payments Miss S made went to her own cryptocurrency trading account, so it had no suspicions of criminal activity. But cryptocurrency scams often involve money passing through more than one account and they were not uncommon at the time. I think Monzo would've been aware of this. The Financial Conduct Authority and Action Fraud published warnings about cryptocurrency scams in mid-2018. By mid-2021, when the scam Miss S fell victim to started, I think Monzo ought to have had time to digest these warnings and put mechanisms in place to detect and prevent this type of fraud. And I'm satisfied that Miss S' losses ought to have been within the contemplation of, and foreseeable

to, Monzo. I'm also satisfied that Monzo can be held responsible for the losses if it could have prevented the scam by asking Miss S some further questions about the payments.

It doesn't appear that Miss S was coached by the fraudster, as is often the case with scams, so I think she would've spoken freely if Monzo had asked her some questions about the faster payments into her account and debit card payments out of it. And I think it would most likely have become apparent that she was being scammed.

By August 2021, I think Monzo had or ought to have had a good enough understanding of how cryptocurrency investment scams work – including that customers often move money to an account/s in their own name before it is moved on to a fraudster – to have been able to identify the risk of harm from fraud. With its industry knowledge, I think Monzo ought to have asked Miss S some probing questions and given her information regarding the prevalence and typical features of cryptocurrency investment scams before processing the first debit card payment instructed on 23 August 2021. Miss S has said she had no concerns about investing with A because it had a compelling website and she had no reason to doubt the fraudster, and that's what she may have said if Monzo had questioned her. But I don't think the conversation should've stopped there. Monzo could've asked more questions in order to determine whether the typical features of cryptocurrency scams were present here (and I think they were – Miss S was 'investing' in A according to the advice she'd received from a stranger that had contacted her via a social media platform and she was passing money through other accounts in her own name before sending money to A). And it could have provided meaningful advice about cryptocurrency investment scams.

If Monzo had done enough, I think it would most likely have been obvious to the bank and Miss S that there was a risk of financial harm, and the scam would've unfolded without any of the debit card payments being made. Of course, Monzo could also have declined to make the payments instructed altogether based on the information it had received if Miss S still wanted to go ahead with them despite its warnings and, given the circumstances here, I think it would've been reasonable for it to do so.

I appreciate that Monzo needs to strike a balance in the extent to which it intervenes in payments, against the risk of unduly inconveniencing or delaying legitimate payment requests and I wouldn't have expected it to interrogate Miss S. I also acknowledge that the main perpetrator here is the fraudster. But overall, I think appropriate questions should reasonably have been asked in this case, and if they had been, Miss S wouldn't have wanted to go ahead with 'investing' with A, the scam would have unravelled and Miss S wouldn't have lost her money.

I've had the benefit of reviewing the evidence presented in Miss S' similar case against H, and I think it could've done more to unravel the scam and prevent the loss of funds that passed through the accounts Miss S held with it too (the faster payments). So, overall, I think it's fair for Monzo and H to share responsibility for Miss S' losses, and I have taken a slightly different approach to redress than I might normally take considering the individual circumstances of this case.

Finally, I've thought about whether Miss S should bear some responsibility by way of contributory negligence. In the circumstances, I think she should bear 50% of the loss she incurred. I say this because Miss S has said that the man she met was convincing, professional and knowledgeable, he gave her no reason to doubt the investment opportunity and, as she was vulnerable at the time, she believed everything he said. She's also said that she looked at A's website and it appeared legitimate. But she doesn't seem to have taken any substantial steps to independently verify the legitimacy of the investment opportunity before paying over large sums of money. I appreciate that she received some small returns from the first two debit card payments she made to her cryptocurrency trading account

before making payments to A, and that she's said this convinced her of the legitimacy of the investment opportunity. But, overall, I don't think she did enough to protect herself from financial harm in this case.

For completeness, I will add that banks don't have to raise chargebacks if it looks clear that the cardholder would lose. Here, I'm satisfied that's the case because Miss S received the service she paid for. So, I'm not persuaded that Monzo has done anything wrong in this respect.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint in part and instruct Monzo Bank Ltd to reimburse 25% of all the debit card payments Miss S made to her cryptocurrency trading account as part of this scam, and pay 8% simple interest per annum from the date of each payment to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 9 August 2022.

Kyley Hanson
Ombudsman