

The complaint

Mr A is unhappy Monzo Bank Ltd won't refund money he lost as a result of a scam.

What happened

In mid-2020, Mr A made three payments from his Monzo account, the details of which I've set out below:

- £161.94 card payment on 19 June 2020
- £804 international payment (via a third-party payment service provider) on 8 July 2020
- £4,002 international payment (via a third-party payment service provider) on 16 July 2020

It appears he believed he was investing in an advertising scheme – where he would receive returns based on the number of people that clicked on adverts.

Mr A did raise a query about the final payment in mid-July 2020, but he didn't report the matter as a scam until March 2021 after he'd attempted to make a withdrawal from the platform. Monzo said he was too late to raise a dispute about the card payment through the card issuer's chargeback scheme. And because the other two payments were made internationally they weren't covered under the Lending Standards Board Contingent Reimbursement Model "CRM Code" which requires it signatories to reimburse victims of APP scams in all but a limited number of circumstances (Monzo isn't a signatory to the Code but have agreed to adhere to its principles).

One of our investigators looked into the complaint. They thought that the £4,002 payment ought to have stood out as being unusual to Monzo and it should have spoken to Mr A before the payment took place. The investigator's initial view was that such an intervention wouldn't have made a difference to Mr A's decision to go ahead. But after further submissions from Mr A, they were satisfied that the scam had enough concerning features for Monzo to have recognised Mr A was at risk of financial harm from fraud. However, they also thought Mr A didn't carry out enough due diligence before going ahead with the investment, so they thought that liability for that payment should be split 50/50.

Monzo didn't agree that the payment should have stood out as being unusual and said it couldn't be expected to pick up on every slightly irregular payment. So, it said it had no reason to ask Mr A any questions about the payment. It also pointed to the various articles, blogs and warnings about scams that are available to customers on its application and website.

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.

There's no dispute that Mr A authorised these transactions and that means that under the Payment Services Regulations 2017 and the terms of his account he is presumed liable for the loss in the first instance. The payments were made using the services of a third-party payment service provider that allows users to make international payments from their Monzo account. As they were international payments, they aren't covered under the provisions of the CRM Code.

However, taking into account the law, regulators 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 anti-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 of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which payment service providers are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps, or make additional checks, before processing a payment, or in some cases decline to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

In relation to the card payment, Mr A raised a dispute about it too long after it happened for Monzo to have raised a chargeback under the relevant scheme rules. So, Monzo couldn't have disputed it for Mr A. I also don't think, given its size, it should have stood out as being remarkable to Monzo and I don't think it made a mistake by letting the payment proceed.

I've reviewed Mr A's bank statements for the six months prior to the disputed transactions and I can't see that he's made any other international payments in that time (or even in the six months before that). However, again taking into account its size, I don't think the first international payment should have caused Monzo concern. By the time he made the £4,002 payment, Mr A had, of course, made one other international payment, but the second international payment was by far the largest payment he made during that period and was being made to a new payee. Considering these factors, I think that payment (but not the two Mr A authorised before it) ought to have stood out as being unusual and suspicious. In the particular circumstances of this case, I think Monzo should have made further enquiries with Mr A before allowing the payment to proceed.

Though this scam isn't as common as other kinds of trading-based investment scams, it did share many of the same features. Mr A was contacted out of the blue by a business which isn't regulated and was given an 'account manager'. He was encouraged to make a small initial investment which appeared to rapidly gain in value, before being persuaded to invest larger amounts. It's not entirely clear how much profit he'd supposedly made at the point he sent the £4,002 payment, but Mr A has provided screenshots to show that his total deposits of around \$6,000 eventually yielded a return of over \$78,000. If real, that would be quite an extraordinary (and entirely unrealistic) return.

While I wouldn't have expected Monzo to interrogate Mr A about the payment, there's no reason to think he wouldn't have revealed most, if not all, of the above information if asked a few simple, probing questions about what he was doing. And, confronted with that

information, Monzo would have been in a position to give a very strong warning to Mr A that he was likely falling victim to a scam.

I can't know for sure whether such a warning would have dissuaded Mr A from making further payments, but taking into account the fact he'd only invested a relatively modest amount before the £4,002 payment and in the absence of any evidence to suggest he'd have carried on regardless, I think it's more likely than not.

I've also considered whether Mr A should bear some responsibility for what happened. He acknowledges that he didn't really carry out any significant research on the company that had made unsolicited contact with him. And, as already noted, though it's not entirely clear how much profit Mr A thought he'd made by the time the £4,002 payment was made, the returns he appears to be making were wholly unrealistic and simply too good to be true. It's also worth remembering that, from what I can see, this profit was being made from advertising revenue and it's difficult to understand how such a source could have yielded such high short-term gains.

So, I think the fair outcome here is that Monzo and Mr A share liability for the £4,002 payment. Monzo should refund 50% of that loss. As I think it's more likely than not that an intervention by Monzo would have prevented Mr A's loss, I think interest should be paid from the date of the transaction to the date of settlement. Though I haven't had sight of the account from which the funds came, I've noted Mr A's comments about his financial struggles since the fraud and I think it's likely he would have used the money had it not been lost, so I think interest should be paid at 8% simple per annum.

My final decision

I uphold this complaint in part and instruct Monzo Bank Ltd to:

- Pay Mr A £2,001
- Pay interest on that amount at 8% simple per annum from the date of the transaction to the date of settlement

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

Rich Drury
Ombudsman