

The complaint

Mr B is unhappy that Monzo Bank Ltd (“Monzo”) hasn’t reimbursed him after he was the victim of a scam.

What happened

Mr B received an email at work he believed to be from the CEO of the company asking him for his personal phone number. This email turned out to be from a scammer. The conversation moved to Whatsapp where the scammer asked Mr B to buy over £3,500 worth of retail gift cards. Mr B travelled to nearby retailers where he made the following transactions, all on 26 August 2021:

12:23	Retailer A	£400
12:37	Retailer A	£600
12:47	Retailer A	£1,000
13:00	Retailer A	£250
13:02	Retailer A	£250
13:23	Retailer A	£400
13:24	Retailer A	£250
13:55	Retailer B	£200
14:03	Retailer C	£50
14:04	Retailer C	£50
14:05	Retailer C	£50
14:05	Retailer C	£50
14:06	Retailer C	£25

After he had spent all his available funds, Mr B spoke with work colleagues and realised he’d been the victim of a scam. He contacted Monzo, but it didn’t feel it was liable for Mr B’s loss as he’d authorised the payments. It also explained it was unable to pursue the payments by other means, such as chargeback, as the merchant he’d paid had provided the goods he’d paid for.

Mr B brought the complaint to our service and our investigator upheld the complaint in part. They felt Monzo ought to have recognised the payments made indicated Mr B was at risk of fraud, but felt Mr B shared some responsibility in making the payments without verifying them further. Monzo didn't accept the investigators findings so the complaint has been passed to me to make a 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've reached the same conclusions as the investigator for broadly the same reasons. There's no dispute in this case that Mr B authorised the payments he made to scammers. Under the Payment Services Regulations and the terms and conditions of his account this means Mr B is liable for them as a starting point. And Monzo has suggested this means there is nothing further to consider, but this isn't the case.

It's also set out that the CRM code doesn't apply in this case, and I agree. The payments Mr B made to scammers were card payments, so the CRM code hasn't been taken into account here. But Monzo's responsibilities to its customers aren't limited to the CRM code. And taking into account the other law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time I think 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 banks 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 declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

Mr B had an account with Monzo that he used regularly. So I'm satisfied it had a record of his general use of the account before the payments he made as part of a scam. And like the investigator, I agree it ought to have recognised that suddenly spending thousands of pounds in under two hours, in repeated transactions that drained his account balance and required several transfers from other 'pots' within the account was significantly unusual.

And even without a record of general use to compare to, I think Monzo reasonably ought to have recognised numerous transactions to the same retailer minutes apart is an indication of fraudulent activity. Especially when these transactions are for repeated amounts.

By the third transaction Mr B made, which was to the same retailer within 25 minutes, Monzo ought to have intervened to establish whether the payments were genuine. Had it done this, and had it sufficiently questioned Mr B about the transactions – asking what they were for and who they were to, I can't see any reason he wouldn't have told it he thought he was buying multiple retail gift cards for the CEO of his company. And given what I'd expect Monzo to know about fraud and scams, I would've expected it to have probed further, and recognised the situation as a scam, explained this to Mr B and provided sufficient warnings against continuing to make the payments.

Had it done this, I think it's unlikely Mr B would've continued with the payments from this point and they would've been prevented. So, based on the information available to it at the time, I think Monzo missed an opportunity to prevent Mr B losing some of his money – from the third payment he made - and therefore is partly liable for this loss.

But, I've also considered whether Mr B is partially responsible for the loss (from the third payment onwards) by way of contributory negligence and I think he does share responsibility for the loss in this case.

- I think it ought to have seemed unusual to Mr B that someone so senior at his place of work asked him to converse over Whatsapp and start purchasing large volumes of retail gift cards. It doesn't appear he was given an in depth reason as to why so many were needed or Mr B needed to use his own money to do this. It also wasn't explained to him why, if they were gifts for clients, he needed to both purchase cards to put them in but also instantly provide the gift card numbers (which allows the gift card to be used) via Whatsapp to his CEO.
- Although Mr B has said his CEO's signature was included in the emails, the email address used appears to have been entirely unrelated to the company Mr B works for. And Mr B didn't try and verify or double check the email came from his CEO as I think he reasonably ought to have done.

Overall, I'm satisfied Mr B does share 50% of the liability from the payments I think Monzo reasonably ought to have prevented.

Redress

From the third payment he made as part of the scam onwards, Mr B lost £2,575. I think Monzo is liable for 50% of this loss and should reimburse him for this amount (£1,287.50).

It should pay simple interest on this amount at a rate of 8% from the date of payment to the date of settlement to reflect the amount of time Mr B has been deprived of the funds.

My final decision

I uphold this complaint and require Monzo Bank Ltd to pay the redress I've outlined above. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 26 August 2022.

Faye Brownhill
Ombudsman