

The complaint

Mr B complains that Monzo Bank Ltd ('Monzo') won't refund the money he lost when he was the victim of a scam.

What happened

Mr B says that he received a notification from Monzo about an attempted payment for around £1,000 that he hadn't made. Soon after, Mr B received a call from someone who said they were from Monzo. Mr B was told that other payments had been attempted from his account that had been intercepted by Monzo. In order to keep his funds safe Mr B was told he needed to move them to a safe account.

The call was from a number that was the same as Monzo's with the exception of the last digit which persuaded Mr B it was genuine. The caller also sounded professional, knew some personal details about Mr B and played hold music.

On the instructions of the caller Mr B made the following payments:

Date	Amount	Method and payee
06/09/21	£9,000	Card payment to C – a cryptocurrency app
06/09/21	£900	Card payment to C – a cryptocurrency app
06/09/21	£4,219.63	Faster payment to Mr B's existing cryptocurrency account with a different company
Total	£14,119.63	

Mr B says he asked the caller why he was paying C and was told it was a platform Monzo use to make payments. The final payment was to an existing cryptocurrency account in Mr B's name before being moved to a wallet. Mr B thought the card payments to C would also be transferred to this wallet and once a new account was set up all the funds would be transferred to it.

Monzo hasn't agreed to provide Mr B with a refund. It says that a chargeback claim in respect of the card payments wouldn't be successful as Mr B received the service he expected from the cryptocurrency provider. And Monzo said that as the faster payment was to another cryptocurrency company and not the scammer Mr B should ask the cryptocurrency company to investigate. Mr B was unhappy with Monzo's response and so brought a complaint to this service.

Our investigation so far

The investigator who considered Mr B's complaint recommended that it be upheld in part. She said that the £9,000 card payment was unusual and out of character and had Monzo asked Mr B questions about the reason for the payment the scam would have been uncovered. If the scam had been prevented the other payments also wouldn't have been made. But the investigator thought liability should be shared with Mr B because he should have been concerned about being asked to move his funds to cryptocurrency accounts and should have made additional checks.

Mr B accepted the investigator's findings but Monzo did not. In summary, it said:

- The funds were sent to cryptocurrency wallets in Mr B's own name and he had control of the accounts. Mr B legitimately purchased cryptocurrency and then moved funds to the scammer.
- Monzo has transaction monitoring in place but no further intervention was needed as the payments were within daily limits. And although the payments were high for Mr B they weren't unusual when considered against the payments Monzo sees on a daily basis. If Monzo intervened in payments such as the ones Mr B made, legitimate payments would be significantly disrupted.
- Mr B had experience of cryptocurrency wallets and should have been aware the market isn't regulated. It also wouldn't make sense for a bank to tell a customer to move funds to a cryptocurrency account and back.

The complaint has now been passed to me to consider.

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.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

In broad terms, the starting position at law is that a bank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. And I have taken that into account when deciding what is fair and reasonable in this case.

But that is not the end of the story. 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 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.

In this case, I need to decide whether Monzo acted fairly and reasonably in its dealings with Mr B when he made the payments, or whether it should have done more than it did. I have considered the position carefully.

Did Monzo act fairly and reasonably when the payments were made?

The first two payments Mr B made were card payments to a cryptocurrency company. I consider Monzo acted reasonably in not raising a chargeback in respect of these card payments. I say this because I don't believe there was a reasonable chance of a successful claim given the fact the cryptocurrency company provided the service it was meant to. And card payments aren't covered by the Lending Standards Board's CRM Code.

As I've explained above, I consider that as a matter of good practice Monzo should have been on the lookout for unusual or uncharacteristic transactions. So I've considered whether the payment requests Mr B made were unusual or uncharacteristic. Having considered Mr B's account activity in the months before the scam I agree with the investigator that the first payment of £9,000 was so unusual given Mr B's account and payment history that Monzo should have intervened and asked Mr B proportionate questions about it.

By far the majority of the transactions Mr B made in the six months before this payment were for less than £100. Other than transfers to his own pot, the highest value transaction I can see on the account is a transfer to someone I assume is a family member of £1,000. And while Mr B had transferred funds to cryptocurrency companies before the amounts were considerably lower (all below £500). Mr B was also paying a new payee and a previous payment of £10,000 had been declined (I understand because of daily limits).

I note Monzo's comments about the fact the £9,000 card payment wasn't significant when compared with other payments it makes daily. Whilst that may be the case, it's not the point here. What is unusual for one customer won't be for another – it all depends on previous account history.

I accept that there's a balance to be struck between stopping and checking payments and allowing customers free access to their accounts. But in this case, I consider that Monzo should have done more to protect Mr B given the points I have already raised.

In 2018 the Financial Conduct Authority and Action Fraud published warnings about cryptocurrency scams. Since then this type of fraud has become more prevalent. So Monzo should have been aware of this type of scam and had measures in place to detect potentially fraudulent payments.

Monzo has said that Mr B legitimately purchased cryptocurrency and so it didn't need to do any more when he made the payments. But this approach fails to take into account the knowledge Monzo should have had about scams involving cryptocurrency or the fact that were it not for the scam Mr B wouldn't have paid such a significant sum to a cryptocurrency company.

I'm also not persuaded Monzo's conversation with Mr B should have stopped if Mr B said he was paying an account in his own name. I consider Monzo should have asked further questions about the reason for the payment and provided appropriate scam warnings and that had it done so, the spell would have been broken and the payments prevented. Mr B didn't have a plausible explanation for the £9,000 card payment and there were numerous red flags.

Had this payment been prevented Mr B wouldn't have made any further payments so I don't need to go on to consider the other two payments, except to say that the third payment drained Mr B's account of funds. It was also the third payment to a cryptocurrency company on the same day and was to another new payee. So Monzo really should have done more when this payment request was made

I've gone on to consider whether Mr B should also bear some responsibility for his loss. Like the investigator, I think that he should. I don't consider the story given to Mr B by the scammer was plausible. I appreciate Mr B was under pressure to keep his funds safe, but I don't think it was reasonable to believe that to do so Mr B needed to exchange funds for cryptocurrency and back again. Cryptocurrency is a high risk investment and isn't regulated so I don't consider it reasonable to believe a bank would keep funds safe in the manner Mr B

was told. Mr B was also asked to make the final payment to an existing cryptocurrency account and then transfer this to the caller's wallet which seems very odd. So I think Mr B should share responsibility for his loss and receive 50% of all payments.

Finally, I consider the £25 award Monzo has already provided in respect of the service it provided is fair and reasonable. Mr B felt Monzo's responses were robotic and Monzo has accepted it could have shown more empathy. But Monzo must balance this against its need to establish the facts and gather evidence to enable it to investigate a fraud claim effectively.

My final decision

I require Monzo Bank Ltd to:

- Refund 50% of the payments Mr B lost in the scam (amounting to £7,059.82);
- Pay interest on the above amount at the rate of 8% simple per year from the date of each payment to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 11 October 2022.

Jay Hadfield
Ombudsman