

## The complaint

Miss C complains that Monzo Bank Ltd ('Monzo') has not refunded the money she lost in an investment scam.

## What happened

Miss C says that she was contacted via social media by someone I'll refer to as A in my decision. A asked Miss C if she was interested in making money. Miss C was a student and asked A for more information. A explained that she was a licensed freelance trader who worked for an FCA regulated trading company and that she invests for people who want to make large profits. A would earn 20% commission on each trade. The minimum investment was £600 which would give a return of £2,000 to £5,000 in 24 hours and all first-time investors were guaranteed a profit or a refund. A provided her FCA authorisation number which was in the same name as the social media account.

Miss C checked the FCA register using the number A provided and noted it said A worked for a firm I'll refer to as R. She asked A if she worked for R and A confirmed that she did, so Miss C confirmed she was happy to proceed. Miss C made an initial investment of £1,500. By 17 July 2021 A told Miss C her investment had reached over £17,000. A then forwarded to Miss C a message from a broker that said as profits exceeded £15,000 Miss C needed to pay a fee of £1,900 which Miss C paid. Miss C was asked to make further payments to release her profit but when she didn't receive the funds, she became concerned and contacted Monzo. I have set out in the table below the payments Miss C made.

Payment number	Date	Amount
1	14/07/21	£1,500
2	17/07/21	£1,900
3	29/07/21	£1,000
4	04/08/21	£1,000
5	04/08/21	£1,000
6	04/08/21	£1,000
7	15/09/21	£300
	<b>TOTAL</b>	<b>£7,700</b>

The payments were all sent by Miss C to an account in her own name with a cryptocurrency exchange and were then transferred as directed.

Miss C would like Monzo to refund everything that she lost in the scam. She has also referred to the impact of the scam on her both financially and emotionally.

Monzo didn't agree to refund any of Miss C's lost funds. It referred to the warning it provided to Miss C before she made the first payment and also said Miss C didn't complete enough

checks to ensure the investment was legitimate. Monzo did attempt to recover Miss C's funds but was advised that no funds remained.

#### *Our investigation so far*

The investigator who considered this complaint recommended that it be upheld in part. She said that the first five payments shouldn't have been flagged by Monzo. But by the time Miss C made the sixth payment Monzo should have intervened and had it done so the scam would have been uncovered. As the investigator thought Miss C should also bear some responsibility for her loss, she asked Monzo to refund 50% of payments six and seven plus interest at the rate that applied to the originating account.

Miss C accepted what the investigator said but Monzo did not. In summary, it said:

- It has systems in place to look out for unusual transactions. These systems are based on years of experience and expertise and did not flag any of the payments Miss C made but Monzo provided a warning when the first payment was made.
- There was little indication of a scam risk when the payments were made. The payments were made over a period of two months and were well within Miss C's daily limit.
- Many genuine investment transactions are made and Monzo cannot and should not intervene unnecessarily.

The complaint has been passed to me to issue 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.

Monzo has assessed Miss C's complaint under the Lending Standards Board Contingent Reimbursement Model Code (CRM Code). But the CRM Code only applies to payments made to someone else and so isn't relevant here – as Miss C was asked to set up and pay an account in her own name that she had control of.

Even though Miss C was the victim of a scam, the payments she made were 'authorised' under the Payment Services Regulations. This means that the starting position is that Monzo had an obligation to follow Miss C's payment instructions, and Miss C is presumed liable for her loss in the first instance.

But 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 customer from the possibility of financial harm.

But I don't consider the early payments Miss C made were so unusual or suspicious in comparison to her normal activity that they ought reasonably to have alerted Monzo to the possibility that she may be at risk of financial harm. Although the first payment Miss C made was to a new payee it was for a relatively small amount and there was nothing else about it that ought to have concerned Monzo. Shortly before this payment Miss C had made a payment of £1,201 (not by faster payment) so the payment was in line with her normal spending pattern. Subsequent payments were also for modest amounts and were no longer to a new payee. The payments were also spread out over a few weeks.

But I agree with the investigator that an unusual and out of character pattern of spending emerged and that Monzo should have intervened in order to be satisfied Miss C wasn't at risk of financial harm. By the time Miss C made the sixth payment she'd already transferred £6,400 to a payee that was established a few weeks before and was trying to make the third

transaction of £1,000 in a day. Prior to setting up the new payee Miss C had only made transfers of very small amounts. So I consider Monzo should have had concerns and taken further steps before processing the sixth payment. I can't comment on how Monzo chooses to identify potentially fraudulent transactions and why its systems didn't flag this payment.

I'm satisfied that if Monzo had called Miss C to discuss the sixth payment in the table above the scam would have been uncovered. I say this because Miss C had no reason not to tell Monzo the truth about how she found out about the investment and the nature of it. Monzo would have been aware this is a known scam and should have explained this to Miss C and provided appropriate warnings. The rate of return offered, and the lack of any risk, would have been enough to indicate Miss C was involved in a scam. If Monzo had contacted Miss C and asked proportionate questions she wouldn't have proceeded with the payment and wouldn't have gone on to make the final payment.

I also have to consider whether I think Miss C has contributed to her own loss. I think the fact A gave Miss C an FCA number was persuasive but that there were too many red flags indicating that this wasn't a legitimate investment that Miss C must also accept some responsibility for her loss. The rate of return and timeframe to receive it was so implausible that it ought to have concerned Miss C and led her to take more steps to ensure she was making a genuine investment. Miss C was initially told that a £600 investment would earn £2,000 to £5,000 in 24 hours and that she was guaranteed not to lose her money as a first-time investor.

Miss C was also approached via social media, which isn't a legitimate trading platform. Whilst A said she worked for R when Miss C asked her if she did, no other information indicated this was the case. If A was acting in a business capacity messages would come from that business and payment would be made to it rather than to unknown individuals. Miss C says she looked up R and saw it was involved with insurance and assumed the investment was related to an insurance product. But A didn't suggest that and mentioned in her messages, "forex". A also used unprofessional language in her messages like "*hun*".

I also don't believe the reasons Miss C was given to continue to make payments without receiving a return were plausible. Miss C wasn't advised of any fees before she agreed to invest and then made payments of over £6,000 to release returns on an investment of £1,500. She also wasn't provided with any documentation to persuade her the investment was genuine.

Overall, I'm persuaded that Monzo should refund 50% of the final two payments Miss C made together with interest as set out below.

### **My final decision**

I require Monzo Bank Ltd to:

- Refund £650;
- Pay interest on the above refund at the rate applicable to the originating account from the date of loss to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 14 November 2022.

Jay Hadfield  
**Ombudsman**

