

The complaint

Miss A complains that Monzo Bank Ltd ('Monzo') won't refund the money she lost in a scam.

What happened

Miss A says that she was contacted by someone on a social media platform who said she was trying to build a business and could help Miss A to invest in cryptocurrency. Miss A didn't know at the time, but she was communicating with a scammer. The scammer told her that if she invested £500, she could make around £1,500 to £2,500. Miss A was sent a link to verify an account with a cryptocurrency exchange and sent her first payment of £500 on 5 May 2022. I have set out the payments Miss A made as part of this scam in the table below:

Payment no.	Date	Amount	Recipient
1	05/05/22	£500	1
2	25/06/22	£1,500	1
3	25/06/22	£1,500	1
4	25/06/22	£1,300	1
5	25/06/22	£3,000	2
Total		£7,800	

Miss A had initially tried to make the first payment from her account with another bank, but the payment was blocked, and Miss A's bank raised fraud concerns with her. The scammer coached Miss A to tell her bank that no one was helping her with the payment if any questions were asked. When the payment still didn't go through the scammer told Miss A to open an account with Monzo and send funds from her bank account to the newly opened Monzo account. She was then given the details of a trading account to send funds to and told that a "trading bot" would buy and sell cryptocurrency for her. After the first trade Miss A was told she'd made a profit of over £2,000 but would need to invest more before she could make a withdrawal. Miss A didn't have further funds at the time.

On 25 June 2022 Miss A started to communicate with the scammer again. She was asked to invest more and then to pay a release fee (payment five in the table above). The release fee was sent to a different cryptocurrency exchange.

Miss A realised she'd been the victim of a scam when she didn't receive any profit and the scammer stopped communicating with her. She contacted Monzo to report the scam on 1 July 2022.

Monzo didn't agree to refund Miss A. It said that the Lending Standards Board's Contingent Reimbursement Model Code (CRM Code) didn't apply and that Monzo wasn't liable because Miss A lost the funds from her accounts at the cryptocurrency exchanges rather than her Monzo account. Monzo also noted that it had tried to cover Miss A's funds.

Miss A was unhappy with Monzo's response and brought a complaint to this service.

Our investigation so far

The investigator who considered this case didn't recommend that it be upheld. She said that the first three payments weren't unusual and out of character, so Monzo acted reasonably in processing them. Whilst the investigator thought Monzo should have discussed the final payment with Miss A, she said it wouldn't have made a difference as the scammer told Miss A to lie. Finally, the investigator said Monzo couldn't have done anything more to recover Miss A's funds.

Miss A didn't agree with the investigator's findings, so her complaint has been passed to me to consider. She said Monzo should have raised concerns about the transactions to cryptocurrency exchanges as her bank did.

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 broad terms, the starting position in law is that Monzo is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the terms and conditions of the customer's account. It's not disputed that Miss A made and authorised these payments, although I accept that when she did so she didn't think her funds were at risk.

However, taking into account the law, regulator's 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 made 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 Miss A when she authorised payments from her account or whether it could and should have done more before processing them.

I'm mindful Miss A didn't have an existing relationship with Monzo and that the payments started on the day the account was opened. This means that Monzo didn't have an understanding of Miss A's normal spending patterns to compare the transactions with.

It's debateable whether Monzo ought reasonably to have intervened at any point when the scam transactions were made. The first transaction was low in value and then there was a gap of over seven weeks before the next transaction was made. This second transaction was also relatively low in value, as were payments three and four. The final payment was to a new payee and also wasn't high in value. I appreciate the overall loss is significant to Miss A, but a balance has to be struck between Monzo identifying potentially concerning payments, and responding appropriately to any concerns, and minimising disruption to legitimate payments. If all low value transactions were flagged by a bank for additional checks many legitimate payments would be affected.

It could be argued that by the time the final payments were made a pattern of unusual payments had emerged that Monzo ought reasonably to have investigated. But I don't think I need to decide this because I'm persuaded that even if Monzo had intervened it wouldn't have uncovered the scam and prevented the payment(s) from being made and will explain why.

When Miss A made the first payment in May 2022 the scammer told her if her bank asked any questions she should lie and say that she was making a transaction for a long-term investment that nobody was helping her with. Miss A didn't raise any objections or question why she should lie to her bank. When Miss A's bank stopped the payment because it might be fraud the scammer then asked her to open an account with Monzo. Miss A followed the fraudster's advice without asking any questions.

So, I think that even if Monzo had intervened and asked Miss A questions about the purpose of the last transactions and provided a tailored warning about cryptocurrency scams, Miss A would have followed the scammer's instructions to ensure the payments were processed. If Monzo wasn't given an accurate account of the payment purpose, it likely would have reached the conclusion that Miss A wasn't at risk of financial harm and followed her instructions to process the payments.

I'm not satisfied that because Miss A's bank blocked the payments she later made from her Monzo account, Monzo is liable for them. Banks have different policies in respect of payments to cryptocurrency exchanges and many payments to such exchanges are legitimate. In any event, Miss A knew that by opening an account with Monzo and making transfers from this new account she was bypassing her own bank's security measures.

The CRM Code doesn't apply in this case because it only covers payments to another person and Miss A transferred funds to her own accounts at the cryptocurrency exchanges. This means that I can't consider whether Miss A was vulnerable as set out in the CRM Code at the time of the scam.

Overall, whilst I'm very sorry to hear about this cruel scam and the impact it has had on Miss A, I can't reasonably ask Monzo to refund her loss.

My final decision

For the reasons given, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 6 November 2023.

Jay Hadfield
Ombudsman