

## **The complaint**

Mr R complains about Monzo Bank Ltd.

He says that Monzo didn't do enough to protect him when he became the victim of a scam and would like Monzo to refund him the money he has lost as a result of the scam.

## **What happened**

On 12 February 2022, Mr R saw a notification on his phone for a card check on a payment that he did not recognise.

Shortly afterwards, Mr R was contacted by someone purporting to be from Monzo's fraud team, who told him that a loan had been taken out in his name, and that two payments had also been made to purchase cryptocurrency.

This individual persuaded Mr R to approve the loan application, which would effectively cancel the one supposedly taken out by the 'fraudster' and to authorise the payments to crypto which in turn would reverse these payments also.

The loan taken out was for £6,000, and Mr R authorised two payments to purchase crypto of £2,319 and £2,520.

Mr R then realised he had been the victim of a scam and had effectively authorised the loan application and transactions rather than reversing them as he had been told by the scammer.

He complained to Monzo, and it didn't uphold his complaint. He then brought his complaint to this Service.

Our Investigator considered the complaint, who thought it should be upheld in part. Mr R agreed to this, but Monzo did not – 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 decided to uphold this complaint in part, for broadly the same reasons as our Investigator. I'll explain why.

In line with the Payment Services Regulations 2017 (PSRs), Mr R isn't liable for payments he didn't authorise, unless he failed with gross negligence or intent to comply with the terms of the account or keep his personalised security details safe.

However, while I don't dispute Mr R was being scammed, and understand Mr R had been tricked into instructing Monzo to approve the loan and make the payments, and that he never intended the payments to go to the scammers, I think that he did authorise them.

It's also accepted that Monzo has an obligation to follow Mr R's instructions. So, in the first instance he is presumed liable for the loss. But there are other factors that must be taken into account.

I should firstly say that as the payments were made as international payments, and not to an account held by another person within the UK, the principles of the Contingent Reimbursement Model (CRM) code do not apply in this case.

To reach my decision I have taken into account the law, regulator's rules and guidance, relevant codes of practice and what I consider having been good industry practice at the time. This means I think that Monzo should have:

- been monitoring accounts and payments made or received to counter various risks, including fraud and scams, money laundering, and the financing of terrorism.
- had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (amongst other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which financial institutions are generally more familiar with than the average customer.
- in some circumstances, irrespective of the payment channel used, taken additional steps or made additional checks before processing a payment, or in some cases declined to make a payment altogether, to help protect its customers from the possibility of financial harm.

So, I've considered what this means for the loan application and subsequent payments.

The loan application was made using Mr R's correct information and was not for a significantly high amount – the reason for the loan was not given. It appears that Monzo allows consumers to take out loans without specifying the purpose of the loan, so I don't think that Monzo knew it would be used for investment purposes at the time the application was made, however I don't see that this is specifically prohibited in any event.

The initial payment made was for £2,319 – which while higher than Mr R's usual spend, I don't consider to be so uncharacteristic or unusual to have triggered a response from Monzo at this time.

However, the second payment of £2,520 took Mr R's spend to almost £5,000 for the day – and was again his second payment to crypto only a short time after taking out a loan. I think that this second payment, taken in conjunction with the newly applied for loan and the earlier payment ought to have caused Monzo reasonable concern.

I think that Monzo should have got in touch at this time to and I would have expected it to have questioned Mr R about the payment – including what the payment was for, and the surrounding context – and to proceed accordingly. The intention being to disrupt or uncover a potential fraud or scam.

Mr R hadn't been coached – he had been manipulated into making the payments, and he thought he was speaking with Monzo when he authorised them, so I think that an intervention from a genuine member of Monzo would have quickly uncovered what was going on, and the scam stopped from this point.

*Should Mr R bear some responsibility for the loss?*

I do also have to consider if Mr R should bear some responsibility for the loss here – and having considered the information available, I do think that it is fair that Mr R share equal

responsibility with Monzo for the loss. I say this because Mr R had previously been the victim of a scam and been warned by Monzo about scammers telling customers that their account was no longer safe, and to authorise payments in order to 'protect' their account and money.

So, I do think that Mr R should have had more awareness and recognised that he could be being scammed again, when someone purporting to be from Monzo called him saying his account had been compromised – especially when the actions the scammer told him to take in authorising a loan application and payments to crypto to 'cancel' supposedly fraudulent activity didn't seem to make sense. And I think that he should have applied more caution than he did.

### **Putting things right**

Monzo should pay Mr R 50% of the second payment. I calculate this to be £1260.

I make no award for interest as the funds originally came from the loan. I understand that this loan has been paid off and no interest has been applied to this either.

### **My final decision**

I uphold this complaint in part, Monzo Bank Ltd should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 26 July 2023.

Claire Pugh  
**Ombudsman**