

## **The complaint**

Mrs H is unhappy that Monzo Bank Ltd won't refund the money she lost after falling victim to a scam.

## **What happened**

The circumstances that led to this complaint are well known to both parties, so I won't repeat them in detail here. But, in summary:

- In May 2020 Mrs H was contacted via a well-known social media platform by someone who pretended to be a famous actor, but who actually turned out to be a scammer. The scammer spent a couple of months getting to know Mrs H and led her to believe they had a romantic connection. Over the next 18 months or so, the scammer persuaded Mrs H to part with more than £195,000, thinking she was helping him during a period of financial difficulty. The first disputed transactions were relatively low value and paid for digital gift cards, bought from high street shops, the codes for which she then shared with the scammer. A few payments were subsequently made to third parties. But the majority of the money was sent to crypto-wallets that the scammer instructed Mrs H to set up so that she could convert it into cryptocurrency and send it on to accounts he controlled.
- Mrs H reported the scam to Monzo and it initially refused to reimburse her. It subsequently reimbursed £33,000 of the disputed payments in accordance with the provisions of the Contingent Reimbursement Model Code. Mrs H wasn't happy with this and so referred a complaint to us. Monzo then offered to pay her an additional £125 compensation to recognise that it hadn't handled the complaint very well.
- Our investigator thought Monzo should have done more to prevent the scam. But she also felt Mrs H was partly to blame. She recommended that Monzo refund 50% of Mrs H's losses from 30 November 2020 plus interest (excluding any of the payments that the bank had already reimbursed). Mrs H accepted this proposal, but Monzo refused. So the complaint has come to me.

## **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.

Mrs H doesn't dispute that she made all of the payments from her Monzo account. This means they were authorised by her. So the starting point under the Payment Services Regulations 2017 and the account terms and conditions is that Mrs H is responsible for the payments as well as any resulting losses.

But the matter doesn't end there. Monzo should also be on the look-out for, and help to prevent, payments that could involve fraud or be the result of a scam. It has also committed to reimbursing customers under the provisions of the Contingent Reimbursement Model Code (the Code).

### *Transactions covered by the Code*

Under the Code, Monzo has made a commitment to reimburse customers who are victims of authorised push payment (APP) scams except in limited circumstances.

As set out above, Monzo has already accepted that Mrs H fell victim to an APP scam and refunded £33,000 of the money that Mrs H sent from her account. That represents 100% of the 5 faster payments she sent to 3 different recipients. And Monzo has made that award, it seems, because it considers Mrs H was vulnerable and unable to protect herself from falling victim to the scam. I'm not entirely sure I agree with that assessment, but the reimbursement has already been made, so I don't intend on commenting further.

I'm satisfied that none of the other payments Mrs H made as a result of this scam are covered by the provisions of the Code. But I have gone on to consider whether Monzo should refund any of them under the other principles that apply when a consumer has fallen victim to a scam.

### *Transactions not covered by the Code*

It's not unusual these days to see this type of multi-step fraud where the scammer persuades the victim to set up their own cryptocurrency wallet, send money there, convert it to cryptocurrency and then send it on to the scammer. This technique is a deliberate one that scammers employ to help evade banks' fraud detection and prevention systems. That's what happened latterly in Mrs H's case and it means the Code doesn't apply to any of the transactions that were used to buy cryptocurrency. But I don't think that means Monzo shouldn't be held liable for preventing at least some of Mrs H's losses.

A balance must be struck between identifying payments that may indicate a customer is potentially at risk of financial harm – and then responding appropriately to any concerns – and ensuring minimal disruption to legitimate payments. With this in mind, I agree with the investigator that the early transactions Mrs H made in favour of the scammer weren't so unusual or out of character as to warrant intervention from Monzo. But, on 30 November 2020, she received proceeds from a £3,000 loan into her account along with an £18,000 transfer in from the joint account she held with her husband. She then sent £10,000 out to a new payee. Given the way Mrs H had operated her account historically I do think this activity was significantly unusual and of sufficiently large values that Monzo should have done more to check she wasn't falling victim to a scam. I have reached this conclusion despite Monzo's assertions, including that this payment was within her daily spending limit.

Monzo also argues that Mrs H was so wrapped up in the scam that it wouldn't have been able to prevent her sending further money to the scammer. But I disagree. When reaching this conclusion I have had to make some assumptions but I think doing so is fair, in the circumstances. Had Monzo actually intervened, as I think it should have, I wouldn't have had to make these assumptions.

Mrs H tells us the scammer first contacted her in May 2020 and started asking her for financial help in July 2020. So, as Monzo points out, six months had passed by the point when I think it ought to have intervened. Monzo suggests that its customers tend to be secretive about what they're paying for and are, often, unhelpful when it probes into the payment being made. But, from the correspondence I've seen between Mrs H and the scammer, he didn't repeatedly tell her to lie to the bank or coached her to give misleading answers if the bank did ask questions. Mrs H firmly believed she was in a romantic relationship with a genuine actor who needed her financial support while he was undergoing some personal issues. I don't see why she wouldn't have disclosed at least some of this to

Monzo if it had asked appropriate, relevant questions. I think the situation Mrs H would likely have described would have borne all, or enough, of the typical characteristics of romance scams such that Monzo should have had concerns. And so, with some further questioning and explanations about how romance scams tend to work, I think it could have broken the spell the scammer had woven and prevented any further losses.

When I say this I've also taken into account that, in the days before 30 November 2020, there had been some relatively low value activity to and from Mrs H's account and a couple of cryptocurrency platforms. And Mrs H had contacted Monzo via the in-app chat at one point because she was having difficulty making payments to one of them. Monzo also instigated an in-app chat with Mrs H on 20 February 2021 relating to some recent payments to a different cryptocurrency platform and advising that *"There's a lot of scams around involving [a particular cryptocurrency] at the moment."* Mrs H confirmed her payments were genuine and there's no dispute that she did manage to buy cryptocurrency and send it to the scammer. But the important point to note is that there was cryptocurrency activity on Mrs H's account preceding the 30 November 2020 activity and Monzo recognised that cryptocurrency purchases were a common feature of scams in February 2021. I think it probably had this knowledge for some time prior to that including, potentially, three months earlier in November 2020. Yet it didn't explain during any earlier conversations or during the February 2021 conversation what a scam involving cryptocurrency might actually look like including that it could be used in a romance scam. So I can well understand why this later intervention by Monzo didn't stop Mrs H from sending more money to the scammer by way of cryptocurrency. But I don't think that means better intervention in November 2020 wouldn't have been successful in preventing the scam from proceeding further.

I've also thought about whether Mrs H is partly to blame for her losses, which might justify a reduction in compensation. And overall, I think she was. I think Mrs H too readily accepted that the person who'd contacted her was who he claimed to be. And the situations he described for needing to borrow money – including that all his assets had been frozen while an entirely unpublicised court case was decided – was highly implausible. Mrs H has shared some of the messages she exchanged with the scammer and there were times when she became frustrated with his demands for money and seems to have had doubts that he actually was who he claimed to be. Yet this didn't prompt her to seek any additional verification. I appreciate Mrs H had been through some difficult personal circumstances in the months leading up to the scam, but I'm not persuaded these entirely excuse her decision-making. In all the circumstances, I agree with our investigator that compensation should be reduced by 50%. The investigator reached the same conclusion and I note Mrs H has already accepted this.

#### *Monzo's recovery attempts*

Where money has been lost to a scam such as in this case, I would usually expect Monzo to make reasonable attempts to recover the money after being notified about the scam.

With this in mind, Monzo doesn't seem to have contacted any of the banks that received Mrs H's transfers or attempted to chargeback any of the card payments. But, as far as I can see, all of the card payments and transfers that haven't already been refunded in full were used to buy digital gift cards or cryptocurrency. So, in effect, Mrs H got what she paid for but then sent those 'goods' on to the scammer. In that situation I don't think it's likely Monzo would've been able to recover any of her money even if it had tried to do so.

#### *Monzo's complaint-handling*

When it submitted its file to this service, Monzo offered £125 compensation to Mrs H to recognise that it hadn't progressed her complaint promptly, didn't address the concerns

she'd raised about the service it had provided and to apologise for the mistakes it had made. In particular, Monzo notes that it sent a final response to Mrs H, declining her claim for reimbursement despite the fact that it had not yet completed its investigation. This meant it didn't properly explain why it wouldn't refund the money Mrs H had lost to the scam.

Having considered everything that's been said and provided, I agree with Monzo that it handled this case poorly and that likely caused some unnecessary distress and inconvenience to Mrs H. But, in all the circumstances, I think Monzo's offer is fair and reasonable.

### **Putting things right**

When deciding how Monzo should put things right I've taken into account that:

- Mrs H has confirmed that the 3 transfers made into her account between 11 August and 17 September 2021, and totalling £2,380, was not money to which she was entitled. She received these payments from unknown third parties after being asked to do so by the scammer, and all of this money was eventually used to buy cryptocurrency which she then sent on to the scammer. As this was not her own money and it has not been returned to the senders, I don't think it's fair to expect Monzo to refund this money to her. I explain below how to take the £2,380 into account in Mrs H's compensation calculation.
- The investigator said interest on the refunded money should be calculated based on the originating account rate. But the money Mrs H lost to the scammer originated from various sources – a loan from another provider, her Monzo savings pot, funds borrowed from her husband (she told him she was buying property) and some inherited funds. It seems unlikely she would have taken out the loan if Monzo had prevented her from falling victim to the scam from 30 November 2020 onwards. But she might still have borrowed the money from her husband to actually invest in property. And, similarly, she'd likely have done something different with her inheritance. But, as the money was lost to the scam and hasn't yet been returned it's not possible for me to know with sufficient confidence what that likely would have been. What is clear is that Mrs H has been deprived of money and has had to repay the loan. In all the circumstances, I think the most pragmatic way to compensate her is to award 8% per year simple interest on the refund. I think, overall, this will result in a fair amount of compensation.

So, if Mrs H accepts my final decision then Monzo Bank Ltd should:

- Calculate the total sum Mrs H lost to the scammer from 30 November 2020 onwards and deduct £2,380 as well as any payments that occurred after that date which have already been refunded. Refund 50% of the resulting figure to Mrs H.
- Add interest on the above refund at 8% per year simple calculated from the date each payment left Mrs H's Monzo account to the date of settlement.
- Pay the additional £125 compensation Monzo offered when it sent us its file, if it hasn't already done so.

If Monzo considers that it's required by HM Revenue & Customs to deduct income tax from the interest award, it should tell Mrs H how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs, if appropriate.

**My final decision**

My final decision is that I uphold this complaint in part and instruct Monzo Bank Ltd to settle the matter as set out above.

Monzo Bank Ltd should settle the complaint within 28 days of receiving notification of Mrs H's acceptance of my final decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 14 June 2023.

Ruth Hersey  
**Ombudsman**