

The complaint

Mr N complains that Monzo Bank Ltd (Monzo) is refusing to refund him the amount he lost as the result of a scam.

What happened

The background of this complaint is well known to all parties, so I won't repeat what happened in detail.

In summary Mr N's wife found a post on Instagram from an individual claiming to work for a trading company called Martin Schwartz (X). X offered investments with a very high return and said a return of £6,000 was achievable from a £1,000 investment.

Persuaded the investment opportunity was genuine Mr N made a payment of £1,000 directly to X via the method of faster payment on 12 December 2021. On 16 December 2021, directed by X, Mr N made a further payment to X of £3,614.95 via the legitimate cryptocurrency exchange Crypto.com using his Mastercard debit card.

Mr N was unable to withdraw funds from his investment and it was clear he had fallen victim to a scam.

The first payment of £1,000 was refunded to Mr N so I have not considered this as part of my decision.

Our Investigator considered Mr N's complaint but thought Monzo had acted fairly in not refunding the payment of £3,614.95.

As Mr N disagreed this complaint has been passed to me to decide.

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 was unable to process a chargeback for the payment Mr N made in relation to this scam to Crypto.com.

The chargeback scheme is a voluntary scheme set up to resolve card payment disputes between merchants and cardholders. The card scheme operator ultimately helps settle disputes that can't be resolved between the merchant and the cardholder.

Such arbitration is subject to the rules of the scheme, meaning there are only limited grounds and limited forms of evidence that will be accepted for a chargeback to be considered valid, and potentially succeed. Time limits also apply.

Mr N and his wife were dealing with X, which was the business that instigated the scam. But Mr N didn't make the debit card payment to X directly, he paid a separate cryptocurrency exchange (Crypto.com). This is important because Monzo was only able to process

chargeback claims against the merchant he paid (Crypto.com), not another party (such as X).

The service provided by Crypto.com would have been to convert or facilitate conversion of Mr N's payments into cryptocurrency. Therefore, Crypto.com provided the service that was requested; that being the purchase of the cryptocurrency.

The fact that the cryptocurrency was later transferred elsewhere – to the scammer – doesn't give rise to a valid chargeback claim against the merchant Mr N paid. As Crypto.com provided the requested service to Mr N any chargeback attempt would likely fail.

Mr N has accepted he authorised the payment he made to Crypto.com, so the starting point here is that Mr N is responsible. However, banks and other Payment Services Providers (PSPs) do have a duty to protect against the risk of financial loss due to fraud and/or to undertake due diligence on large transactions to guard against money laundering.

The question here is whether Monzo should have been aware of the scam and stepped in to prevent the payment Mr N was making.

Although the payment Mr N made from his account was to a new payee and Mr N did not usually make this size payment from the account, the value of the payment was relatively low and to a legitimate business. I don't think it would be reasonable to suggest that Monzo's fraud prevention systems should be triggered every time a customer makes a larger than normal one-off payment to a new legitimate payee. Especially when it can see the payee is a legitimate business and the payment amount is relatively low.

Overall, having considered the payment Mr N made in relation to this scam I don't think it would reasonably have triggered Monzo's fraud prevention systems. So, Monzo didn't miss an opportunity to step in and prevent the scam and it's not responsible for Mr N's loss.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 31 March 2023.

Terry Woodham
Ombudsman