

The complaint

Mr N complains that Monzo Bank Ltd ("Monzo") have unfairly refused to refund money he lost as part of an investment scam.

What happened

The details of this complaint are well known to both parties, so I will not repeat everything again here. In summary, Mr N's wife was in contact with a someone who it later turned out was a scammer. The person in question said they worked for a company I will call C. This broker traded on behalf of Mr N's wife, using remote access to her computer. After seeing the "profits" that his wife was making in her trading account. Mr N then made the following transactions to set up his own trading account with C using his debit card;

Transaction Number	Date	Merchant	Amount	Running Total
1	25/11/2021	Mercuryo	£3,302.83	£3,302.83
2	25/11/2021	Mercuryo	£3,227.77	£6,530.60
3	02/12/2021	Mercuryo	£2,793.84	£9,324.44
4	02/12/2021	Mercuryo	£2,491.80	£11,816.24
5	02/12/2021	Mercuryo	£1,208.15	£13,024.39

Between transaction 2 and 3 there was an, attempt to withdraw funds from the trading platform but was told that further payments had to be made to cover "commission costs". Subsequently payments 3,4 and 5 were made to allow money to be withdrawn. Shortly after transaction 5, Mr N's wife was contacted by a scammer purporting to be from HMRC asking for a payment to cover a tax liability. They called HMRC and were told that it would not ask for payments over the phone. This made them realise that they had potentially been scammed and when they were unable to withdraw funds from C, they complained to Monzo.

When Monzo refused to refund the money he had lost, Mr N's complaint was brought to this service.

Our investigator upheld the complaint. He thought Monzo should have gone further and intervened when transaction 2 was attempted. The investigator thought that the scam would have likely been prevented from this point if Monzo had contacted Mr N and asked probing questions about the nature of the payments he was making. Monzo did not agree and therefore the matter has been escalated to me to determine.

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.

It isn't in dispute that Mr N authorised the disputed payments he made (where his funds were subsequently transferred on to the scammers from his crypto wallet). The payments were requested by him using his legitimate security credentials provided by Monzo, and the starting position is that banks ought to follow the instructions given by their customers in order for legitimate payments to be made as instructed.

However, I've considered whether Monzo should have done more to prevent Mr N from falling victim to the scam, as there are some situations in which a bank should reasonably have had a closer look at the circumstances surrounding a particular transfer. For example, if it was particularly out of character.

From what I have been provided, it does seem that the first two transactions were flagged and challenged by Monzo for additional checks. It appears that these checks were to make sure that the payments had been authorised.

I think that this additional check was sufficient for transaction 1, as it was a one-off payment at that time and was not sufficiently large to necessarily prompt further intervention from Monzo on its own. But the transaction 2 I think should have prompted further queries as it happened so shortly after the first payment. And two payments that close together to a new international payee was out character from what I can see for Mr N's account. I think that Monzo ought to have gone further and spoken to Mr N to find out more about the nature of the transaction he was making, before allowing it to be processed, rather than simply asking him to confirm if he had authorised the payment.

I think it's likely that a scam warning would have prevented Mr N from going any further, as there were several indications that he was being scammed, which Monzo ought reasonably to have been aware of (particularly those involving crypto).

If Monzo had contacted Mr N and asked him further questions and for more of the context surrounding the payments, I think it's likely he would have explained what he was doing and that he was allowing a broker to trade on his behalf with funds that were going to be forwarded from his crypto account. He would likely have said that the broker had been given remote access to his computer to allow these trades to occur. Monzo should have recognised these circumstances of being indicative of a scam and have acted to provide Mr N with a meaningful warning.

Overall, I'm satisfied that a warning to Mr N from his trusted bank would have probably led him to discover various bad reviews about C. That said though, even if Mr N had not worked out that the broker he was talking to was fraudulent, it is likely that a warning would have at least alerted him to the common issues arising in relation to crypto scams, which in turn would have revealed the truth behind the scammers representations. This would have probably stopped Mr N in his tracks. So, but for Monzo's failure to act on clear triggers of potential fraud or financial harm, Mr N probably wouldn't have made the additional payments.

Despite regulatory safeguards, there is a general principle that consumers must still take responsibility for their actions. In this case, I do not think that Mr N was to blame for what happened and I haven't seen anything to suggest that he had foreseen the risk of this sort of harm occurring, or indeed any harm. I do not think Mr N could have foreseen the risk that C were in fact scammers and the trading account he was viewing was likely to be a simulation. I also can't see there were any regulatory warnings in place about C in question at the time Mr N started making the payments. So, in the circumstances, I do not think it would be fair to reduce compensation on the basis that Mr N should share blame for what happened.

In relation to transaction 1 I have considered if there was any other way of Monzo recovering the funds for Mr N. In this case as a debit card was used this would be limited to a chargeback. With regards to chargeback, Monzo is bound by the card scheme provider's (in this case Mastercard's) chargeback rules. Chargeback rights are limited through the Mastercard scheme rules in instances like this. And I'm not satisfied there were any applicable rules under the scheme rules that would have allowed a successful chargeback here. So I don't think that Monzo could have recovered transaction 1.

My final decision

For the reasons given above, I uphold this complaint and direct Monzo Bank UK PLC to

- Refund Mr N transaction 2 to 5.
- Pay 8% simple interest per year on any payments Mr N made, less appropriate tax, from the date he paid them to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 7 April 2023.

Charlie Newton
Ombudsman