

The complaint

Mrs S complains about Monzo Bank Ltd.

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

What happened

Mrs S was looking online for investment and came across a website called FCTrading.pro. Mrs S says that the website looked professional and had live trading platforms in different currencies. So, she submitted an enquiry to learn more.

Shortly after, Mrs S was contacted by a representative of FCT who provided information and told her she would be contacted by an account manager and would need to deposit \$250 to begin investing.

Mrs S was then contacted by her 'account manager' who persuaded her to download Anydesk and would help her to do the 'trades'. She signed an official looking document and watched her account manager trade on her behalf. She was persuaded to purchase crypto with the end goal of using profits from this to purchase Amazon shares.

Mrs S was initially happy with how things were going as she felt that she could see with her own eyes that she was making money. However, soon, the account manager began being pushy with her to invest more – and then told her that she needed to pay more money as 'commission' before she could make a withdrawal.

After this was paid, Mrs S received a phone call from 'HMRC' saying that she needed to pay tax – which Mrs S was confused by as she was yet to receive her withdrawal. She contacted the real HMRC who told her that it would never call to request money in this way.

The account manager tried to persuade Mrs S that she must have been dealing with a traitor in his team – but Mrs S had now lost trust and realised she had been the victim of a scam.

Mrs S made a complaint to Monzo – but it didn't uphold her complaint. She then made a complaint to this Service. Our Investigator looked into things and thought that the complaint should be upheld in part.

Mrs S agreed with this, But Monzo didn't – so the complaint has been passed to me to make a final 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.

It isn't in dispute here that Mrs S was the victim of a scam – she was persuaded to download Anydesk and to purchase crypto in order to facilitate the further purchase of Amazon shares. She was then asked to pay commission to withdraw money, and then a second scam was attempted to try and get her to pay tax that wasn't due.

Mrs S made the following payments. I have included payments which were declined and so reversed by Monzo. All payments were made to legitimate crypto exchanges.

Date	Merchant	Amount
17 November 2021	G	£186.51
18 November 2021	C	£3,750.00 (Declined)
18 November 2021	Mo	£1485.59 (Declined)
18 November 2021	B	£3,713.97 (Declined)
19 November 2021	C	£1,000
19 November 2021	Mer	£0.84 (Declined)
19 November 2021	Mer	£1,485.59
19 November 2021	Mer	£1,350 (Declined)
19 November 2021	Mer	£1337.03
22 November 2021	Mer	£1864.65
22 November 2021	Mer	£1864.65
23 November 2021	Mer	£1,493.77
24 November 2021	Mer	£974.44
24 November 2021	Mer	£2,623.50
24 November 2021	Mer	£2773.42
24 November 2021	Mer	£2,098.80
24 November 2021	Mer	£2,627.25
24 November 2021	Mer	£900.77

Mrs S's total loss is therefore £21,230.38.

Did Mrs S authorise the payments?

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

While I understand Mrs S had been tricked into instructing Monzo to make the payments and never intended the payments to go to the scammers, I'm satisfied that Mrs S did authorise the payments in question here. She made them while she was convinced she was dealing with a legitimate business, and it wasn't until after the payments had been made that she became aware that this was not the case.

Should Monzo have reasonably prevented the payments in the first place?

I can only uphold this complaint if I think that Monzo reasonably ought to have prevented some or all the payments Mrs S made in the first place – therefore preventing the loss before it happened.

As I've explained above, I'm satisfied Mrs S authorised the scam payments in question here – so she is presumed liable for the loss in the first instance.

That said, as a matter of good industry practice, Monzo should have taken proactive steps to identify and help prevent transactions – particularly unusual or uncharacteristic transactions – that could involve fraud or be the result of a scam. However, there is a balance to be struck: banks had (and have) obligations to be alert to fraud and scams and to act in their customers' best interests, but they can't reasonably be involved in every transaction.

Taking into account the law, regulatory rules and guidance, relevant codes of practice and what I consider having been good industry practice at the time, I consider Monzo should fairly and reasonably:

- Been monitoring accounts – including payments made and 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 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 banks are generally more familiar with than the average customer; and
- 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.

The first payment

I am not persuaded that the first payment should have triggered Monzo into taking any further action before processing the payment on Mrs S's request. It wasn't for a large or unusual amount – and wouldn't have stood out as an unusual payment, and even though it was going to a crypto exchange, not all such payments are as a result of a scam. And as I've explained above, there is a balance to be struck.

The three declined payments

Mrs S then went on to make three further payments on 18 November 2021. While these payments were declined by Monzo and didn't end up debiting her account, the total attempted in one day was now almost £9000 – again all going to crypto. This was a significant sum of money and was unusual for Mrs S's normal usage of her account. All the payments were for different amounts too – it wasn't like Mrs S was attempting to complete the same transaction three times.

These attempted payments should've stuck out to Monzo as being uncommon considering the way Mrs S generally used her account, especially given that by January 2019, Monzo should already have had a good understanding about how scams like the one Mrs S fell victim to work.

I understand that Monzo believes that as Mrs S had made small trades in crypto previously, that the larger payments were not unusual, as people usually start with lower amounts and then invest more. But the declined payments marked a significant change in Mrs S's usual behaviour. It also says that it is not able to stop all high value payments going to crypto as this would cause issues for customers legitimately trying to make these types of payments. But I am not suggesting that it does so – what I am saying is that it needs to be aware of changes in behaviour that could indicate a customer is at risk of financial harm.

With this in mind, Monzo should reasonably have contacted Mrs S to establish whether the transaction posed any possibility of placing her in financial harm before processing it. But it did not do so. If Monzo had done so, I would've expected it to have questioned Mrs S about the payment – including what she was trying to make the payments for and surrounding context and to proceed accordingly. The intention being to disrupt or uncover a potential fraud or scam. But it did not do so.

I've seen nothing to suggest that Mrs S was coached or told to lie about the payments she was making, so I think that had Monzo contacted her to discuss the payments she would have told it what had happened and what she was doing. So, I think that Mrs S would have told Monzo that she was purchasing crypto to buy Amazon shares and that she had downloaded AnyDesk onto her computer in order to be assisted in making the investment.

This should have been a red-flag to Monzo – and it should have given her a meaningful warning that what she had told it bore all the hallmarks of a sophisticated scam – and I don't think that Mrs S would have ignored this warning and risked making further payments. Monzo says that even if it had contacted Mrs S, it cannot be sure that this would have stopped Mrs S from continuing with the payments as from its experience customers are not always honest about what has happened. But it didn't give Mrs S such a warning anyway, so I fail to see how it can conclude that she would have likely ignored it.

So, I think that Monzo could've prevented Mrs S's loss from this point.

Should Mrs S bear some responsibility for the loss?

While I do consider that Monzo should have prevented the payments from 18 November 2021, I do also need to consider if Mrs S should bear some responsibility for the loss by way of contributory negligence.

However, I don't think that this would be appropriate in this instance. Mrs S was not a sophisticated investor and had found the information provided to her about the 'company' and its website professional and convincing. She also signed legitimate looking paperwork. Monzo was the experts here – and had more knowledge on the intricacies of these types of scams.

Putting things right

Monzo Bank Ltd should pay Mrs S the money she has lost after 18 November 2021. I calculate this to be £21,043.87.

It should also pay Mrs S 8% simple interest, per year, on this amount from the date of the payments to settlement (less any tax lawfully deductible).

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 Mrs S to accept or reject my decision before 26 July 2023.

Claire Pugh
Ombudsman