

The complaint

Mr N complains that Monzo Bank Ltd ("Monzo") won't refund money he lost after falling victim to an investment scam.

What happened

Between 19 July 2021 and 12 November 2021, Mr N made 13 payments for just over £61,000 as part of a cryptocurrency investment scam.

Mr N says he was interested in cryptocurrency investment opportunities but had no experience, so he searched online and found a company I'll refer to as C. Mr N says C's website looked professional and that C was at the top of the search results. So, Mr N completed his contact details on an enquiry form on their website. He was contacted by an account manager from C who said they could trade cryptocurrency on his behalf.

Mr N says he was promised a regular income and was told that if he got his investment up to £100,000 he would get a return of 5% per month, which would increase to 25% if he could invest £200,000. As part of investing with C, Mr N was talked through opening a cryptocurrency wallet in his name, which was to be used as a gateway for his funds from his bank to C.

Initially Mr N tried to make a payment from his account held with a different bank - not Monzo. However, that bank refused to make the payment from Mr N's account to his cryptocurrency wallet. Mr N says they didn't tell him why they wouldn't make the payment only that they don't deal with cryptocurrency payments anymore.

As a result, the account manager at C recommended that Mr N open an account with Monzo. Mr N says the account manager explained that banks wanted to keep his money out of cryptocurrency as it was a threat to them. So, Mr N opened an account with Monzo in July 2019 and attempted to make a payment of £5,000 to his cryptocurrency wallet.

Monzo stopped this payment as they identified a risk based on the name of the beneficiary and contacted Mr N through their in-app chat service.

As part of the chat Monzo explained *"we flag some payments for review to ensure we're doing all we can to protect our customers from scams. We have temporarily frozen your account while we look into this transaction and a member of our scam prevention team will be in touch shortly to discuss things further."*

Monzo asked the purpose of the payment and Mr N told them he was buying Bitcoin.

Through the in-app chat Monzo told Mr N they were concerned about his payment and that they suspected he was falling victim to a scam. They provided Mr N with a link to a blog on their website about scams and asked if they could call him about the transaction. Mr N agreed and had a phone conversation with a Monzo staff member.

These are some of the questions that Monzo asked in that call and the answers Mr N gave:

Monzo: Do you have bitcoin or cryptocurrency?

Mr N: I've started doing a little bit on my own.

Monzo: Have you been getting advice about any of these investments from anyone or are you just doing it yourself?

Mr N: No, I'm doing it myself.

Monzo: We do see investment scams, they are quite common. We see people contacted on platforms like Whatsapp and we always say to check the FCA website as genuine traders will be authorised on there. I'll send you a link to more information about investment scams.

After the call ended, Mr N continued communicating with Monzo via the in-app chat.

As part of this chat Monzo sent Mr N a link to their website where he could read more about investment scams as well as a scam blog they'd posted. Also, Monzo asked Mr N to send screenshots of his cryptocurrency account to prove that the account was held in his name. Then, having received the screenshots, Monzo told Mr N that they still had concerns about the payment and that they would pass it to a senior staff member for review.

Mr N asked what concerns they had and Monzo told him they were concerned he may've fallen victim to a scam. They provided a warning which said:

Just so you know:

- *No legitimate investment firm will ask you to buy Bitcoin and then send the Bitcoin to your own wallet.*
- *If you purchase cryptocurrency and send it on to someone else, it can be almost impossible to retrieve.*
- *If you have been asked by someone else to set up this Crypto account, it's possible they may have access to the account once you put money into it.*

They asked some further questions of Mr N which included:

- Whether someone had asked him to make the payment - Mr N told them they hadn't and that he was just transferring between his accounts.
- When the other bank had declined to make the payment, how Mr N had come across Monzo (in relation to him recently opening an account with them) – Mr N said he found them online.
- Whether Mr N had been asked to download any software that may've allowed someone to take control of his phone – Mr N said he hadn't.
- How long Mr N had held his cryptocurrency wallet – Mr N said he'd had the account just over a month and that originally the payments were made through the other bank.
- Whether anyone other than Mr N had access to his cryptocurrency wallet – Mr N said no they didn't.

Monzo also asked whether the money Mr N was sending to his cryptocurrency wallet would be remaining in the wallet, or if he intended to send the money on from there. Mr N's answer was that it was probably a bit of both.

Mr N says that as a result of his call with Monzo, he did check the Financial Conduct Authority's (FCA) website and saw a company with the same name as C but a slightly different spelling and assumed that it was the same company.

He also says that on receiving the link to the investment scam advice from Monzo, he asked the account manager to email him to prove they worked for C – as they'd only communicated over the phone. He says they sent him an email which satisfied him that they genuinely worked for C.

Mr N says he received basic coaching from the fraudsters, which is why he didn't honestly answer some of the questions Monzo asked him.

In October 2021, Mr N received contact from C saying that his account was being liquidated. As a result, Mr N would lose his investment balance of £190,000 unless he paid a broker's fee and capital gains tax – so Mr N made the requested payments.

By the end of November 2021, Mr N hadn't received the funds from his investment and realised he'd been the victim of a scam – so he reported it to Monzo.

Monzo contacted the beneficiary bank but were unable to recover any of Mr N's funds. They considered Mr N's fraud claim but declined to refund him saying they'd made the transfers in line with Mr N's payment instructions and that Mr N ignored their warnings and concern when he tried to make the first payment.

Mr N wasn't happy with Monzo's response, so he brought a complaint to this service.

An investigator looked into Mr N's complaint but didn't recommend it be upheld. They explained that the Contingent Reimbursement Model (CRM Code) doesn't apply as Mr N's payments went from his Monzo account to a cryptocurrency wallet in his name. And, while Monzo had asked open and probing questions to try and identify if Mr N may've been the victim of a scam, the answers he gave prevented the bank from uncovering the scam.

Mr N didn't agree with the investigator's opinion raising the following points:

- He'd only had light coaching and the fraudsters had set the scene by explaining why a bank wouldn't want him to make a cryptocurrency payment – this affected what he told Monzo.
- Banks know about fraudsters coaching customers and Monzo should've asked more questions to get a broader understanding of the circumstances.
- Monzo should've specifically referred to cryptocurrency investment scams, how they work and what to look out for.

As the case couldn't be resolved, it was passed to me to review.

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.

In broad terms, the starting position in law is that Monzo is expected to process payments that a customer authorises it to make, in accordance with the terms and conditions of the customer's account and the Payment Services Regulations (PSR's).

As the investigator explained, the Contingent Reimbursement Model (CRM Code) doesn't apply to this case, as Mr N made the payments to an account in his own name before sending the funds on to C. This means I can't consider the payments under the framework of the CRM Code.

But there is an obligation on Monzo to be on the lookout for, and to protect its customers from, potentially falling victim to fraud or scams. This includes monitoring accounts and identifying suspicious activity that appears out of character. In situations where potential fraud is identified, I would expect Monzo to intervene and attempt to prevent losses for the customer.

In this case, Monzo says they identified a risk based on the beneficiary's name in respect of Mr N's first payment to his cryptocurrency wallet. As a result, they contacted Mr N through their in-app chat to find out more about the payment, and also called Mr N to discuss the payment.

I'm satisfied that Monzo have intervened appropriately by both chatting to Mr N in-app and by calling him. I can see that they asked him several questions that I would've expected them to ask including: what the payment was for; whether Mr N had checked the investment company on the FCA's website; whether he'd been asked to download any software that would give someone control of his phone; whether he opened his cryptocurrency wallet or whether he was asked to do it by someone else; why the other bank had declined to make the transfer for him; why he had opened an account with Monzo; whether he was getting advice on investing or whether he was doing it himself; and why his cryptocurrency account balance was low and how the original payments to his cryptocurrency account were made.

Monzo also told Mr N multiple times they were concerned that he was making the payment as the result of a scam and sent him links to their website, so he could read information about investment scams and other general scams.

I'm satisfied that it's more likely than not, that if Mr N had answered Monzo's questions honestly the answers would've suggested to Monzo that Mr N was the victim of a scam and that they could've prevented his losses. However, because Mr N didn't provide honest answers, he prevented Monzo from identifying the risk and asking further appropriate questions.

I appreciate that Mr N says the fraudsters coached him on what to tell Monzo, but Monzo asked some of the questions more than once and in slightly different ways, but each time Mr N gave an incorrect answer. I'm not satisfied that the fraudsters explanation to Mr N that banks didn't want him to invest in cryptocurrency was sufficient reason for him to believe it was reasonable to lie to his bank. Especially as he lied about why he was opening an account with Monzo saying he'd found them online, rather than telling Monzo C had recommended them to him – which would've raised concerns for Monzo.

Based on the answers Mr N gave, the tell-tale signs that he was the victim of a cryptocurrency investment scam weren't presented. The sort of answers that would've suggested this to Monzo include: Mr N being told to open a cryptocurrency wallet by C and the fraudsters talking him through how to do it; C's recommendation that Mr N open an account with Monzo in order to make the payments; and Mr N being asked to send money from his bank account through a cryptocurrency wallet rather than directly to C for investment.

If Mr N had provided genuine answers to those questions, I think it would've opened the way for Monzo to ask more probing questions around the company he was investing in, how he had found them and what checks he had done on them. Also, it would've allowed Monzo to make suggestions on how Mr N could check that the company was genuine and give more specific warning advice. It's also worth noting Monzo did provide some scam warning advice to Mr N and provided him with a link to information on investment scams as well as suggesting that Mr N check C on the FCA's website. And, based on this, Mr N says he did check the FCA website and asked the account manager at C to email him, so he had proof they worked for C. This suggests that what Monzo said resonated with Mr N to some degree. Having listened to the call Mr N had with Monzo, he answered the questions confidently and there wasn't any indication that he was uncertain or wasn't sure of the answers he was giving, which also may've been a prompt for Monzo to go further in their questioning.

I appreciate that Mr N feels that Monzo should be aware that customers are often coached by fraudsters on what to tell their bank. But I'm not satisfied that I would've expected Monzo to take further steps than they did in this case. They asked Mr N appropriate questions through the in-app chat, had a call with him, and then asked further questions through the in-app chat. And, as I've already said, some of the questions were asked more than once.

Monzo didn't intervene with any of the further payments that Mr N made as part of the scam, which is appropriate in these circumstances. The further payments Mr N made were to the same beneficiary, spread out over the space of three months and weren't sufficiently larger than his first payment that I think they should've been identified by Monzo as concerning or warranted intervention. Especially taking into account that the account was only recently opened so there was no previous account usage to compare his scam payments against.

Monzo contacted the receiving bank to try and recover Mr N's money, but as the funds went into a cryptocurrency wallet in Mr N's name, any funds that could've been recovered would've been available to Mr N to withdraw. So, I'm satisfied that Monzo took appropriate steps to try and recover Mr N's funds.

I realise that Mr N is going to be very disappointed as he has lost a lot of money to this scam. But I'm satisfied that Monzo took reasonable steps when they identified a risk with Mr N's first payment, and I think they asked appropriate questions to try and identify if Mr N may've been making the payment as part of a scam. On that basis, I can't fairly hold them liable for Mr N's loss or ask them to refund Mr N.

My final decision

My final decision is that I don't uphold this complaint against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 16 May 2023.

Lisa Lowe
Ombudsman