

The complaint

Ms O complains that Monzo Bank Ltd (Monzo) is refusing to refund her the amount she lost as the result of a scam.

Ms O is being represented by a third party. To keep things simple, I will refer to Ms O throughout my decision.

What happened

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

In summary Ms O was contacted by a business called Digimind (X) via WhatsApp claiming to have found her CV on Telegram. X explained it specialised in driving traffic to websites and that her role would be to complete tasks that it would assign to her.

X walked Ms O through the process of working with it which included sending it cryptocurrency to initially unlock tasks. X also explained that Ms O's account with X would sometimes fall into a deficit but that she would be able to continue with the investment by topping up the account.

Convinced by X that the opportunity was genuine Ms O made the following payments to it using her debit card via the legitimate cryptocurrency exchange Banxa:

1. 19 June 2022 - £1,848
2. 22 June 2022 - £3,028.22

Ms O was further persuaded X was legitimate as she was able to make some withdrawals from the investment.

Ms O's account with X fell into a deficit she was unable to manage so she asked to withdraw her funds. X told Ms O she could only withdraw funds once the deficit had been paid off, and it was at this stage that Ms O realised she had fallen victim to a scam.

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 payments Ms O made in relation to this scam to Banxa.

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.

Ms O was dealing with X, which was the business that instigated the scam. But Ms O didn't make the debit card payments to X directly, she paid a separate cryptocurrency exchange (Banxa). This is important because Monzo was only able to process chargeback claims against the merchant she paid (Banxa), not another party (such as X).

The service provided by Banxa would have been to convert or facilitate conversion of Ms O's payments into cryptocurrency. Therefore, Banxa 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 Ms O paid. As Banxa provided the requested service to Ms O any chargeback attempt would likely fail.

Ms O has accepted she authorised the payments she made to Banxa, so the starting point here is that Ms O 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 payments Ms O was making.

The payments Ms O made were for relatively small amounts and were separated by several days. The payments were also made to a legitimate business. It wouldn't be reasonable for me to say Monzo should step in every time one of its customers makes a payment to a new business especially when that business is legitimate.

So even though Ms O says Monzo should have stepped in to prevent the scam I think it was reasonable that the payments Ms O made did not trigger Monzo's fraud prevention systems. As Monzo's fraud prevention systems weren't triggered by the payments Ms O made, Monzo would not have been aware the scam was taking place and did not miss an opportunity to stop it. So, it is not responsible for Ms O's loss,

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms O to accept or reject my decision before 27 April 2023.

Terry Woodham
Ombudsman