

The complaint

Mr S complains about Monzo Bank Ltd. He says that Monzo didn't do enough to protect him from becoming the victim of a scam and would like Monzo to refund him the money he has lost as a result of being scammed.

What happened

Mr S came across an advert on Facebook from a supposed expert in helping people to trade in Cryptocurrency for profit. He was looking to slow down and work less as he had a difficult manual job which was taking physical toll on his body.

Mr S completed a contact form and was contacted by an 'account manager' (now known to be the scammer) who said they would help him to achieve good returns on an investment.

Mr S was persuaded to invest. However, in late December 2022, Mr S's 'account' showed that he had lost the supposed profits he thought he had been making. He got in touch with the scammer who persuaded him to invest further in order to recoup his losses as his account had apparently been mis-managed by an individual who no longer worked for them.

Mr S later discovered that he had been the victim of a scam and complained to Monzo.

Monzo didn't uphold his complaint, so Mr S brought his complaint to this Service.

Our Investigator thought that Mr S's complaint should be upheld in part. Mr S accepted this, but Monzo did not, 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 partially uphold Mr S's complaint for materially the same reasons as our Investigator. I'll explain why.

Was Mr S the victim of a scam?

It is not in dispute that Mr S was the victim of a scam here – he was persuaded to purchase crypto and transfer this onto the scammer – and once the money had reached the scammer was unable to access his supposed profits or get his money back.

I've listed the payments Mr S made below.

Date	Payment type	Payee	Amount
03/12/2021	Debit card	CRO	£0.06
03/12/2021	Debit card	CRO	£3,993.14

11/12/2021	N/A	CRO	£0.06 CREDIT
14/12/2021	Faster payment	Foris Dax MT Ltd	£50.00
14/12/2021	Debit card	CRO	£2,522.61
14/12/2021	Faster payment	Foris Dax MT Ltd	£500
15/12/2021	Faster payment	Foris Dax MT Ltd	£50
15/12/2021	Faster payment	Foris Dax MT Ltd	£80
20/12/2021	Faster payment	Foris Dax MT Ltd	£3,000
23/12/2021	Faster payment	Foris Dax MT Ltd	£9,950
29/12/2021	Faster payment	Foris Dax MT Ltd	£3,000
07/01/2022	Faster payment	Foris Dax MT Ltd	£2,000
12/01/2022	Faster payment	Foris Dax MT Ltd	£3,000
02/03/2022	Faster payment	Foris Dax MT Ltd	£5,873

In line with the Payment Services Regulations 2017 (PSRs), Mr S isn't liable for payments he didn't authorise, unless he failed with gross negligence or intent to comply with the terms of the account or keep his personalised security details safe. Accordingly, I've considered whether Mr S authorised the payments.

Having done so, I'm satisfied that Mr S did authorise the payments in question here. They were made by with his debit card and under his instruction for the faster payments. I understand that Mr S had been tricked by the scammer into instructing Monzo to make the payments – but while MR S never intended the payments to go to the scammers, this doesn't change the fact that he authorised them and is therefore presumed liable for the loss in the first instance.

Recover of the payments Mr S made

After the payments were made, I wouldn't reasonably expect Monzo to do anything further until it had been notified there was a scam.

The only recourse for potential recovery of the funds for the payments made by debit card would be via the chargeback scheme. Chargeback is a process by which disputes are resolved between card issuers (here, Monzo) and the merchants (here, CRO).

However, a chargeback in these circumstances would unlikely have been successful. This is because CRO is a legitimate company and provided the services that Mr S had requested of it – the purchase of crypto and subsequently moving that crypto onto a wallet of Mr S's choosing. What happened after that crypto was successfully moved is therefore a separate matter – and so a successful chargeback would likely never have been possible – and so I don't think that these payments were recoverable once they had been made.

Similarly, for the payments made via the Faster Payment scheme to Foris, while Monzo

could have contacted Foris to try and recall the funds that had been sent, again the service Mr S requested (the purchase of crypto) had been completed, and so Foris had done what was asked of it here too, and would have declined the request.

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 of the payments Mr S made in the first place – therefore preventing the loss before it happened.

Mr S authorised the scam payments in question here – so as I've explained above, he 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 Revolut 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.

So, I've carefully considered what this means for Mr S and the payments in question here.

The first eight payments

Having considered the first eight payments Mr S made, I don't think that there was anything that should have prompted Monzo to take any extra steps before processing Mr S's payment instructions. Mr S appears to have opened his Monzo account with the intention of purchasing crypto, so there was no other activity for Monzo to compare his usual spending pattern with, and none of the payments up until this point were of significantly large value.

Payment nine

This payment was nearly £10,000 – a significant amount of money. And given what I've said above about Monzo's responsibilities above, unusual enough for Monzo to intervene. At this point Monzo should reasonably have contacted Mr S establish whether the transaction posed any possibility of placing him in financial harm before processing it. But it did not do so.

Had Monzo contacted Mr S, I would've expected it to have questioned Mr S about the payment – including what the payment was for, and the surrounding context – and to proceed accordingly. The intention being to disrupt or uncover a potential fraud or scam.

Nothing Mr S has said leads me to believe that he had been coached, or told to lie about the payments he was making, and so I think that had Monzo acted as I would have expected, it would quickly have established that Mr S was likely the victim of a scam.

By January 2019, Monzo should already have had a good understanding about how scams like the one Mr S fell victim to work – including that a consumer is often persuaded to move money from one crypto-wallet in their own name to the scammer.

Had Monzo given Mr S a meaningful warning that what he had told it bore all the hallmarks of a sophisticated scam – I think that he would've taken this warning seriously and not taken the risk of continuing with the payment.

So, I think that Monzo could've prevented Mr S's loss from payment nine onwards.

I have taken into account that Monzo has said that it can't be expected to intervene on every payment made in relation to the purchase of crypto – and I agree. Not every payment for the purchase of crypto is a scam – and I understand that lots of customers use Monzo as their method for conducting such transactions. But payment nine was for a significant amount of money, and while I would not expect Monzo to intervene with every payment made, it does have a responsibility as outlined above to protect its customers from potential financial harm.

Should Mr S bear some responsibility for the loss?

While I do consider that Monzo should have prevented the payments made from payment nine, I do also have to consider if Mr S should bear some responsibility for the loss here too, by way of contributory negligence.

Mr S was not a sophisticated investor – and was persuaded by the professional appearance of the scammer, and the advice that it gave him. The scammer had built trust with Mr S by encouraging him to invest slowly as first and allowing him to make a small withdrawal from his supposed investment. I also can't see that there much information online about the scammer when Mr S made his payments – so even if he had researched them himself, I don't think he would have found anything to give him cause for concern.

I understand that Monzo believes that the onus is on the consumer to conduct their own research and to invest sensibly. It goes on to say that genuine investment platforms carry the caveat that '*capital is at risk*', and that consumers who make poor investment choices are not reimbursed due to lack of research or inexperience.

But this was not a genuine investment – it was a scam. And Monzo was the expert here - and had more knowledge on the intricacies of these types of scams.

It follows that I am satisfied no deduction for contributory negligence should be made in this case.

Putting things right

As I've explained above, I don't think that Mr S would have continued to make the payments from payment nine onwards had Monzo done what it ought to and intervened.

So Monzo should refund Mr S £23,823.00.

It should also pay Mr S 8% simple interest from the date the payments were made until the date it makes payment to Mr S (minus any lawfully deductible tax).

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 Mr S to accept or reject my decision before 7 June 2023.

Claire Pugh
Ombudsman