

The complaint

Mr M complains that Monzo Bank Ltd ("Monzo") has failed to refund over £7,200 he lost as part of an investment scam.

What happened

Mr M says he fell victim to an investment scam with a fraudulent trader "Ironbits" in April 2021. He received a cold call from the scammer where they discussed an investment opportunity. Mr M decided to invest in Yuan Chain Coin (YCC) cryptocurrency and made the following payments to the scammer:

Date	Payee	Amount	Method of payment
17/04/2021	Wonder Coins	£182.24	Debit card
21/04/2021	Private account	£750	Faster payment
21/04/2021	Private account	£2,000	Faster payment
27/04/2021	<i>Credit received from scammer</i>	<i>-£170.70</i>	Faster payment
29/04/2021	Private account	£4,500	Faster payment

Mr M realised he had been scammed when he was unable to withdraw the profits of his investments and asked Monzo to reimburse the money he lost. However, Monzo refused to provide him with a refund as it said he had no reasonable basis for believing them to be genuine, and also didn't think it would've had to provide him with a scam warning based on the level of payments he was making.

Our investigator didn't uphold the complaint. She didn't think the payments would have appeared unusual enough to have warranted an intervention by Monzo, so didn't consider it to be liable for Mr M's loss. Mr M disagreed, so the matter was escalated to me to determine.

I issued my provisional decision on this complaint in March 2023. I said I wasn't minded to uphold it and set out the following reasons:

It isn't in dispute that Mr M had been the victim of a scam here. It also isn't disputed that he authorised the payments he made to the scammer via faster payment and debit card. 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 M

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.

I appreciate that overall, Mr M has lost over £7,200 which is a significant amount of money. But this amount wasn't paid in one single large or 'out of character' transaction. It was spread over four separate smaller increments which, in my judgment, would not have appeared particularly unusual or out of character when compared with Mr M's spending history, such that they ought to have been regarded as suspicious or indicating that he might have been at risk of falling victim to a scam.

I also acknowledge there were occasions where more than one payment was made in the same day, such as two payments being made on 21 April 2021. But I can see from Mr M's statements that he had previously made several faster payments in the same day, which includes instances of paying the same account more than once. The cumulative total of the two payments he made on 21 April 2021 would also not have appeared suspicious.

So, I'm not persuaded there was anything that ought reasonably to have triggered Monzo's fraud monitoring systems for this payment, or that would have indicated Mr M was in the process of being scammed.

I've also thought about whether Monzo could have done more to recover the funds after Mr M reported the fraud. In terms of the debit card payment, there are some circumstances where the money can be recovered via the bank raising a chargeback dispute.

The chargeback scheme is a voluntary scheme set up to resolve card payment disputes between merchants and cardholders. The card scheme operator – MasterCard in this case – ultimately arbitrates on a dispute if it 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.

There are very limited options for payments that have gone to any type of investment. Mr M's claim was that he could not withdraw his funds from his trading account with Ironbits and that they were operating fraudulently.

Mastercard's scheme does not consider claims about being unable to withdraw funds from trading accounts and the scheme doesn't provide dispute resolution options for victims of alleged fraud. So, given there would be no reasonable prospect of a chargeback succeeding in these circumstances, I don't think Monzo acted unfairly by not pursuing a chargeback for the debit card transaction.

In terms of the faster payments I've also considered whether Monzo could have done more to recover the money from the receiving bank. However, in this instance, the money was sent to another account in Mr M's name (which the scammer also had access to), where the funds were then transferred to the scammer in order to place the fake "trades". So, it seems highly unlikely that any money would have remained in the receiving account to have been recovered, particularly as the scam was not reported until around a month later.

Monzo are also under no obligation to refund the faster payments to Mr M under the Contingent Reimbursement Model (CRM) Code either. Monzo isn't a signatory to the

CRM Code – which requires a firm to reimburse a customer who has been the victim of an APP scam like this one in all but a limited number of circumstances – but it has agreed to abide by its principles. However, the Code does not apply to payments which the payer has effectively made to themselves (which would have been the case here given the payments were made to an account in Mr M's own name).

I appreciate this will likely come as a disappointment to Mr M, and I'm sorry to hear he has been the victim of a cruel scam. However, I'm not persuaded that Monzo can fairly or reasonably be held liable for his loss in these circumstances, so I do not intend upholding his complaint.

I invited further comments and evidence from both parties. Mr M responded saying that he still believes the payment of £4,500 he made on 29 April 2021 ought to have triggered Monzo's fraud prevention systems. Monzo had no further comments to add.

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 not to uphold it for the reasons set out above in my provisional decision, as I've seen no further evidence or arguments that would change these conclusions.

I appreciate that Mr M feels strongly that the £4,500 payment ought to have been flagged to Monzo. But I've already explained why I don't think it would have appeared as particularly unusual when compared with his spending history, particularly given he had made a £2,000 payment around a week before. So, Mr M's comments in response to my provisional decision have not changed my thoughts on this.

It follows that I will not be departing from the conclusions reached in my provisional decision and I do not uphold this complaint.

My final decision

For the reasons given above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 3 May 2023.

Jack Ferris
Ombudsman