

The complaint

Miss E complains about Monzo Bank Ltd.

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

What happened

Miss E was sent an Instagram message from a trusted friend where he told her that he had invested £800 in cryptocurrency and had made a substantial profit.

Miss E had a discussion with her friend and asked him numerous times if he was sure this wasn't a scam. After being reassured, Miss E was put in contact with a third party, who persuaded her to send an initial payment of just over £800. Miss E was then told that she needed to make several further payments to purchase a 'pin' which would allow her to withdraw her money (which would apparently be refunded to her), and then another payment to upgrade to the 'Platinum' investment option.

However, Miss E didn't realise that her friend's Instagram account had been hacked – and she was actually speaking with a scammer.

Miss E reported the scam to Monzo and made a complaint.

Monzo didn't uphold her complaint but did pay her £250 for the errors it made in dealing with her complaint.

Unhappy, Miss E brought her complaint to this Service. Our Investigator considered the complaint and thought that it should be upheld in part.

As neither party agreed with our Investigators view, 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 Miss E's complaint, for broadly the same reasons as our Investigator. I'll explain why.

It isn't in dispute here that Miss E has been the victim of a scam – she was contacted via Instagram by a scammer who had hacked her friend's account. The scammer persuaded her to part with money for a supposed investment in crypto, and then to part with further money in order to make a withdrawal of her supposed profit.

Miss E made the following payments to the scammer.

Date	Merchant	Amount
14 May 2022	MP	£813.28
15 May 2022	MP	£1,300
15 May 2022	MP	£1,300
15 May 2022	MP	£1,850
15 May 2022	MP	£2,000
15 May 2022	MP	£1,500
	Total loss	£8,763.28

Did Miss E authorise the payments?

In line with the Payment Services Regulations 2017 (PSRs), Miss E 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 that Miss E was tricked into instructing Monzo to make the payments and never intended the money to go to the scammers, I'm satisfied that Miss E did authorise the payments in question here. At the time, Miss E thought she was dealing with a legitimate individual off the recommendation of a trusted friend – it wasn't until Miss E realised she had been scammed that she knew 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 Miss E made in the first place – therefore preventing the loss before it happened.

As I've explained above, I'm satisfied Miss E 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.

This leads me to consider the payments that Miss E made.

The first three payments

I'm not persuaded that the first three payments should have triggered Monzo into taking any further action before processing Miss E's requests to make these payments. They weren't for individually significant sums of money, and although they were higher than Miss E's usual spend, there is also a balance to be struck – and as I've said above, businesses can't be involved in every transaction.

The fourth payment

By the time the of the fourth, Miss E had paid over £5,000 in a few hours – a significant change in her normal account activity. I think that this should have triggered Monzo into taking action 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.

With this in mind, Monzo should reasonably have contacted Miss E 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 Miss E 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 Miss E had been coached by the scammer, or told to lie about what she was doing – so I think that she would have divulged to Monzo that she had been contacted by a 'friend' through Instagram and introduced to someone offering investment in crypto.

This should have been a red-flag to Monzo – and it should have given Miss E a meaningful warning that what she had told it bore all the hallmarks of a sophisticated scam – and I don't think that Miss E would have ignored this warning and risked making further payments.

I understand that Monzo believes that the payments weren't made in a short space of time – and that it isn't able to interfere with all payments made to crypto as not all payments to crypto. It also says that as the funds were transferred to a crypto account in Miss E's name that the loss is therefore outside of its control.

But I disagree. £5,000 in a matter of hours made from an account which does not normally have that kind of turnover is significantly unusual. And while not all payments made to crypto are the result of a scam, a significant amount of payments are. And Monzo has a duty to recognise unusual financial behaviour for its customers. Monzo should also know that in the case of crypto scams, the funds are usually transferred to an account in a customer's name, before quickly being moved on at the direction of the scammer – so even though the loss occurred from the crypto wallet itself, Monzo should still have questioned the payment when it left Miss E's Monzo account.

Therefore, I am satisfied that Monzo missed an opportunity to uncover the scam at this point and could have prevented the loss from payment four onwards.

Should Miss E bear some responsibility for the loss?

While I do consider that Monzo should have prevented the payments from payment four, I do also need to consider if Miss E should bear some responsibility for the loss by way of contributory negligence.

Miss E undertook none of her own checks before parting with her money, other than asking her 'friend' if this was a scam – she also continued to pay the more money in order to purchase a 'PIN' off the scammer – and when this failed to produce a withdrawal paid more money again, before finally parting with further funds to obtain 'platinum' level to access her funds. I understand that Miss E was told that these amounts would be refunded to her – but I don't think that these requests are plausible – and Miss E should have applied more caution before parting with money – especially after complying with the initial request which didn't produce the promised return of funds.

That said, Miss E was not the expert here – and I understand that she has limited financial experience. Monzo had much more knowledge than Miss E about the intricacies of these kinds of scams – and it could have done more to protect her.

Therefore, while I am satisfied that Miss E should bear some responsibility for what happened, Monzo should bear more.

So, Miss E should bear 20% of the loss from payment four, and Monzo 80%.

Putting things right

Monzo Bank Ltd should pay Miss E the sum to the last four payments (£5,350), minus 20% for contributory negligence.

I calculate this figure to be £4280.

I make no award for interest as the funds were held in a non-interest paying account.

I also understand that Monzo has paid Miss E £250 compensation for its failures when handling her complaint. I think this is reasonable in the circumstances and make no further award here.

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 Miss E to accept or reject my decision before 1 August 2023.

Claire Pugh
Ombudsman