

## The complaint

Mr M complains that Monzo Bank Ltd didn't do enough to protect him when he was the victim of a crypto investment scam.

Mr M is being supported by a representative, but for ease, I'll refer to Mr M throughout this decision.

## What happened

In June 2020 Mr M said he made an online enquiry with a company (who I'll refer to here as 'W') about investing in crypto. He said he was keen to supplement his income due to the Covid lockdown.

Mr M said he'd seen positive online reviews about 'W' and its website looked very professional and included references to awards it had won. He'd also discussed the investment opportunity with friends and family – who had agreed it was a *'great idea'*. Mr M said he *'spent a good while researching ['W']'* and had no reason at that time to believe 'W' wasn't a legitimate investment company, and it had been his choice to approach 'W' and to invest.

Mr M registered his interest with 'W' and provided identification documents to facilitate the setting up of a trading account in his name. Mr M said he was able to access his trading account and see live reporting of stock trades. 'W' also posted daily YouTube videos offering advice on what to invest in. Mr M said the videos had over 1000 subscribers.

On 8 June 2020 Mr M contacted Monzo to say:

***'... I'm just giving you guys a heads up that I will be transferring about £6500 to Blockchain later this week – so no need to flag it as fraudulent'.***

Monzo replied to say:

***'Thanks for letting us know. Your outbound transfer limit is £10,000 per day so this shouldn't be an issue'.***

On 10 June 2020 Mr M transferred £2,500 from his Monzo account to an account in his own name via an embedded payment platform. The payment reference was *'Bitcoin'*. He said 'W' told him this was a trial phase of the investment, and the money could be returned at any time. Mr M made another payment on 16 June 2020 for £4,000 and a final payment on 13 July 2020 for £1,000.

These payments were to international accounts – the details of which Mr M says were provided to him by 'W' who told him these were their *'liquidity providers'*. None of these payments flagged by Monzo as suspicious. But Mr M was sent warnings through his banking App, which included one specific to investment scams. Mr M said:

***'I read the warning but felt no risk in sending the money as I was led to believe that ['W'] was perfectly legitimate'.***

Mr M said that during the investment – he'd received several professional and friendly emails from 'W' – and could see from his trading platform that his investment had grown. He said he was also able to make a *'test'* withdrawal into his crypto wallet and received

regular statements from 'W' containing accurate personal information, as well as a numerical breakdown of how the investment was doing.

In November 2020 Mr M attempted to withdraw £20,000 from his trading account. After various stalling tactics by 'W', spanning several weeks, and a lack of response to his emails, Mr M realised he'd been the victim of a scam.

Mr M contacted Monzo about the scam on 21 December 2020 via its chat function. He explained what had happened and how he'd seen there was now a Financial Conduct Authority (FCA) warning about 'W'. Monzo attempted to recover the funds, but on 24 December 2020 it told Mr M that no funds remained. Monzo investigated the case but told Mr M there was nothing more it could do as the payments had been sent internationally.

Mr M, via his representatives, complained to Monzo in October 2022. Essentially, he said Monzo hadn't intervened in any of the payments or provided effective warnings. If it had, Mr M thought the scam would've been uncovered and his loss prevented.

Monzo said it wasn't responsible for Mr M's loss. It said Mr M hadn't carried out enough due diligence before investing and should've known the investment was too good to be true. It also said there was literature available to Mr M on its website that he should've read to protect himself from scams. Monzo also said that as the first payment was to an account in Mr M's name, and the subsequent payments were international, the CRM code didn't apply.

Unhappy with Monzo's response, Mr M referred his complaint to the Financial Ombudsman. He maintained Monzo hadn't done enough to protect him and should've intervened in the payments given their size and destination. He wanted the funds returned, plus 8% interest, as well as £500 for the distress and inconvenience caused.

One of our Investigators considered the complaint but didn't uphold it. She didn't think the payments were unusual or suspicious enough to have warranted intervention from Monzo. But even if intervention had taken place and an effective warning given, our Investigator thought Mr M was likely to have continued with the transactions. She also thought Monzo had taken reasonable steps to try and recover the lost funds.

Mr M didn't agree and asked for an Ombudsman to issue a final decision. He thought the amount and destination of the payments was unusual account activity and highly suspicious. And this, combined with his young age making him vulnerable to scams, should've resulted in the payments being flagged by Monzo.

Mr M suggested the type of questions Monzo should've asked him about the payments – which if it had – he said would've encouraged him to carry out further checks and try to make a withdrawal before making a further deposit.

Mr M said he'd subsequently found negative reviews and warnings about 'W' from around the time of the investment. He said these should've been known to Monzo as part of its '*watch list*' and he maintained that Monzo should've identified that he was dealing with a fraudulent company and stopped the payments.

## **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 this complaint, for largely the same reasons as our Investigator. I know this is not the answer Mr M was hoping for and so this will

come as a disappointment. I'm really sorry to hear he's been the victim of a scam and has lost money as a result. I can understand why he'd want to do all he can to recover the money he lost. But I need to decide whether Monzo can fairly and reasonably be held responsible for Mr M's loss. Overall, I've decided that it can't be. I'll explain why.

I should first point out that Monzo had an obligation to protect Mr M from financial harm, irrespective of what happened to the money after it left his Monzo account. And so, I'm considering Mr M's complaint about Monzo on that basis.

I accept the transactions Mr M made were authorised payments, even though he was the victim of a sophisticated crypto investment scam. So, although he didn't intend the money to go to the scammers, under the Payment Services Regulations 2017 and the terms and conditions of his account, Mr M is presumed liable for the loss in the first instance.

However, taking into account what I consider to have been good industry practice at the time, I consider Monzo should fairly and reasonably:

- Have been monitoring accounts and any payments made or 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 that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which financial institutions are generally more familiar with than the average customer.
- 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, taking all of this into account, I need to decide if Monzo acted fairly and reasonably in its dealings with Mr M when he made the payments, specifically whether it should've done more than it did before processing the payments – and if it had, would that have made a difference.

I don't believe the first payment for £2,500 made on 10 June 2020 was sufficiently unusual to have alerted Monzo to the possibility of a fraud or scam. While this is larger than other payments made on Mr M's account in the previous 12 months, it's not an unusually large amount in more general terms, and I must bear in mind that it's not uncommon for people to make large payments from time to time to a new beneficiary in a normal operating bank account. The payment was also sent to an account in Mr M's name. And so, all things considered, I don't think Monzo acted unreasonably here.

Arguably, the second payment of £4,000 made on 16 June 2020, to a new (international) payee, was more suspicious. But again, this isn't an unusually large amount, and was made six days after the first payment. The next payment on 13 July 2020 of £1,000 was again to a new (international) payee but was for a lower amount than the previous two payments and was made a month after the £4,000 payment. I'm also mindful that Mr M alerted Monzo to the fact he was making these payments on 8 June 2020 – specifically asking that they not be flagged as fraudulent.

Taking all this into account, on balance, I don't think Monzo acted unreasonably in not flagging any of the payments made by Mr M in relation to the scam.

That said, whilst I think it's enough that I don't think intervention was warranted to not uphold this complaint, for the sake of argument and completeness, I've thought about whether any interaction between Mr M and Monzo – either at the point he told Monzo he was transferring money to Blockchain, or during any of the payments, would've made a difference. And I don't think it would've done.

Mr M's initial contact with 'W' was because he'd enquired about investing in crypto. He wasn't contacted out of the blue or pressured into investing – it had been his choice. The payments were also not made in very close succession – and decreased in value. So, not the classic hallmarks of an investment scam.

Mr M also had access to his trading account, YouTube videos specific to his investment and was in receipt of statements and emails from 'W' - all of which appeared to him to be genuine. He was also able to make a small withdrawal.

I'm also mindful that Monzo sent warnings to Mr M via his banking App. Those warnings specifically referred to investment scams – and provided a link to check if the company a customer is dealing with was legitimate. But Mr M has said he didn't act on any of these warnings, as he was convinced nothing was untoward. I think, therefore, he'd have been unlikely to have acted on a more tailored warning by Monzo if it had intervened in the payments.

I can also see from Mr M's interactions with 'W' just prior to the scam coming to light that he was looking to refer a '*client*' to 'W' who wanted to invest circa £50,000 which would provide Mr M with '*a very generous commission*'. This suggests to me that Mr M was so convinced by the scam that he was introducing others to it – something I think he'd have been unlikely to do if he'd had any concerns his own money was at risk.

Mr M has said he spent much time researching 'W' but saw nothing of concern. He's now mentioned negative reviews about 'W' which he's been able to find from 16 June and 12 July 2020, as well as '*a wealth of indications online*' that this was a scam. But these reviews were not seemingly of concern to Mr M at the time – and there was no regulatory warning in place until 15 July 2020 – after he'd made the last payment. So, even if Monzo had uncovered the existence of 'W' during its conversation with Mr M and checked its legitimacy, it's unlikely to have found anything of concern.

And if it had suggested to Mr M that he carry out further checks – given how convinced he was about the legitimacy of 'W' because of the checks he'd already undertaken, as well as reassurances from his friends and family – I think it unlikely he'd have carried out those further checks, but if he had, that he'd have found anything that led him to believe the investment wasn't genuine.

All this suggests to me that it's more likely than not Mr M would've proceeded with the transactions here – even if Monzo had done more to alert him that the investment could've been a scam. It's not for Monzo to provide investment advice to Mr M, nor can it be expected to know about adverse online reviews *suggesting* an investment company is fraudulent. I think it would've taken something more credible, like regulatory warnings about 'W', to have made Mr M pause and think more about his decision to invest. And in the absence of such warnings, I don't find Monzo could've reasonably done more to prevent his loss.

I'd still expect Monzo to do all it could to try and recover the lost funds when Mr M alerted it to the scam. I can see Monzo contacted the beneficiary bank as soon as Mr M made contact on 21 December 2020. But it had confirmation on 24 December 2020 that no funds remained. Monzo acted promptly here to try and recover the lost funds and so I can't say it should've done anything more.

Taking everything into account, I don't disagree that Mr M has been the victim of a sophisticated crypto investment scam. But I don't think any reasonable action from Monzo at the time of the payments is likely to have made a difference. So, I don't think it's fair or reasonable to hold Monzo accountable for Mr M's loss.

### **My final decision**

My final decision is that I don't 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 13 October 2023**.

Anna Jackson  
**Ombudsman**