

The complaint

Mr D holds a current account with Monzo Bank Ltd (Monzo). He was the victim of fraud. The fraudsters contacted him by text and phone and persuaded him to transfer around £9,700 to them from his Monzo account.

Mr D thinks that Monzo failed to protect him from the fraudsters. He wants it to refund him all the money he lost.

What happened

There is no doubt that Mr D was the victim of fraud. The fraudsters initially contacted him by text, claiming to be the security team of a well-known payment company. They said a large payment was about to leave his Monzo account and asked him to ring them. He called the number they gave him and they convinced him that someone else had “*hacked*” into his Monzo account. Mr D also had an account with another bank (the other bank) and the fraudsters told him that account had been hacked as well.

The fraudsters had various details, such as partial account numbers, about Mr D’s accounts and convinced him they were genuine. They told him to move money into what they described as a safe “*holding account*”. He followed their instructions to:

- Transfer just under £4,000, in three transactions, from the other bank account to their account(s). Monzo was not directly involved in these transactions.
- Transfer just over £10,000, in three payments, from the other bank to Mr D’s Monzo account. The fraudsters seem to have done this as they thought the other bank had, or would, block direct payments to their account(s).
- Transfer just under £9,700, in eight payments from Mr D’s Monzo account to their accounts.

Monzo has sent us a statement which shows the transactions the fraudsters persuaded Mr D to make. I have no reason to doubt the accuracy of this statement. The transactions were as follows.

Transaction number	Amount	Comments
1	+£3,925.79	Deposit from the other bank
2	-£1,910.74	Payment to fraudsters
3	-£1,757.88	Payment to fraudsters
4	-£573.22	Payment to fraudsters. This payment overdrew the account
5	+£5,000.00	Deposit from the other bank
6	-£1,528.59	Payment to fraudsters
7	-£1,605.02	Payment to fraudsters
8	-£1,452.16	Payment to fraudsters
9	-£343.93	Payment to fraudsters. The payment overdrew the account
10	+£1,234.00	Deposit from the other bank
11	-£520.26	Payment to fraudsters

The fraudsters asked for the money from transactions 2, 3, 4, 6, 7 and 8 to go to one account and for the money from transactions 9 and 11 to go to two different accounts. I understand that all three were overseas accounts.

I don't have the exact time of transaction 1, but transactions 2 to 11 were all made within about 30 minutes of each other during normal office hours. I doubt that transaction 1 was significantly earlier. Mr D made all the payments through a debit card he held for the account, using Monzo's mobile banking app.

Mr D thought Monzo should have spotted the fraud and stopped the payments. As it didn't, he asked it to refund him all the money the fraudsters took and add some further compensation.

Initially, Monzo declined to refund any money to Mr D. Mr D then brought his complaint to us and one of our investigators looked into it. The investigator recommended that Monzo should refund half the value of transactions 4, 6, 7, 8, 9 and 11 (a total of £3,011.59) to Mr D and add interest. Monzo accepted the investigator's recommendation, but Mr D didn't. He thought he was entitled to a larger refund and asked for his case to be reviewed. So, it has come to me as an ombudsman 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.

There is no doubt that Mr D followed Monzo's normal process when he made the payments. By doing so, he instructed Monzo to make them. I fully accept that he only did this because of the actions of the fraudsters, but he effectively authorised Monzo to make the payments. Frauds of this type are often called *Authorised Push Payment (APP)* frauds.

While banks are normally expected to act on their customers' instructions, APP fraud is a significant concern in the banking industry. At the time this fraud took place, I would have expected Monzo to be looking out for anything noticeably unusual in the transactions its customers were making. And if it saw anything unusual about a payment, or a pattern of payments, I would have expected it to check with the customer concerned before processing them.

To expand on banks' responsibility a bit more. In broad terms, the starting position in law is that financial firms, including banks, are expected to process payments and withdrawals that a customer authorises them to make, in accordance with the terms and conditions of the customer's account.

However, taking into account the law, regulators' rules and guidance, relevant codes of practice and what I consider was 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).

I've looked at the way Mr D had been using his account and compared that to the transactions which took place during the fraud. Taken collectively, the pattern of transactions during the fraud was certainly unusual.

The fraud took place in early April 2022. They were the first payments Mr D had made from his Monzo account since January 2002. They were also quite large for Mr D and to payee accounts he had not paid money to previously. So, I think Monzo should have spotted that the payments looked potentially fraudulent and taken steps to prevent them until it could contact Mr D. Had it done this, and given Mr D appropriate advice, he's told us that he *"wouldn't have sent any money to the fraudsters"*. In the circumstances, I accept Mr D's word for this, I think he would have stopped authorising the payments. The critical question then becomes at what point Monzo should have intervened.

Although Mr D had not been using his account significantly, it was not fully dormant. So, I don't think Monzo could have spotted the fraud right from the start. It could have drawn various conclusions from the first deposit (transaction 1) and the first two payments out (transactions 2 and 3). However, by the time of transaction 4, I think things were looking suspicious, particularly as the payment would overdraw Mr D's account and as far as I can tell he had not done this before. So, I think Monzo should have intervened at this point and alerted Mr D to the fraud. Had it done so, then for the reasons I gave earlier, I think Mr D would have stopped that transaction and all others. In other words, he would not have made payments represented by transactions 4, 6, 7, 8, 9 and 11 to the fraudsters.

Whilst I think Monzo should have stepped in, I don't think that in this case it's fair and reasonable for it to bear the full cost of the fraud from the point it should have intervened.

Monzo has pointed out that it had previously sent Mr D information from its website on how to keep money *"safe from fraudsters"* and on *"fraud and staying safe online"*. I accept that it did this and so had taken some action to help Mr D avoid fraud himself. Although I acknowledge that the fraudsters were convincing, I also think that their instructions to Mr D were so unusual that he bears some responsibility for following them. There seem to have been several indicators that he was dealing with fraudsters. These include:

- The unlikely situation of two accounts with two different banks being hacked at the same time.
- The different destination accounts the fraudsters used, without sound reason. (This pattern is not consistent with the idea of a safe holding account).

- The way in which the fraudsters asked Mr D to move some money from his other account direct to their accounts, and some to his Monzo account and then onto their accounts, again without sound reason.

I also understand that the text message the fraudsters sent to Mr D contained typing errors, which would not be expected from a professional company, and that the phone number they gave to him had no resemblance to the one used by the real payment company. Individually, none of these indicators on their own were sufficiently significant to alert Mr D. But they emerged at different stages of the fraud and collectively I think they pointed strongly to suspicious activity, which Mr D could have spotted for himself.

Taking all these factors into account, I think it's reasonable for Mr D and Monzo to equally share the losses from the payments Mr D sent to the fraudsters in transactions 4, 6, 7, 8, 9 and 11, which comes to £3,011.59.

My final decision

For the reasons I've given above, I think Monzo Bank Ltd was partly responsible for Mr D's losses. Should Mr D accept this decision, then Monzo Bank Limited should put things right by:

- refunding £3,011.59 to Mr D,
- adding simple interest at an annual rate of 8% from the date of the fraud (3 April 2022) until the date it makes the refund.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 28 July 2023.

Steve Townsley

Ombudsman