

## The complaint

Mr S complains that Monzo Bank Ltd ('Monzo') won't refund the money he lost in a scam.

## What happened

Mr S says that he was contacted via a messaging app by someone who said they were a recruiter for a well-known agency. Mr S was interested and was passed on to someone else he communicated with via a different messaging service. This person explained the job was commission based and that Mr S could make money instantly. The more products Mr S reviewed the more commission he would receive. Mr S was shown a website and given instructions on how to proceed. He started to receive daily tasks which he completed but then received an error message. When Mr S asked about this, he was advised that he needed to make refundable deposit payments to generate further tasks. To make the deposits, Mr S was required to convert funds to cryptocurrency which was then transferred on as instructed.

Initially Mr S made payments from an account with another bank, but he later transferred funds from this other account to his Monzo account and made transfers from his Monzo account. Mr S made the following payments:

Date	Amount
19/05/22	£2,000
20/05/22	£3,000
20/05/22	£2,000
<b>Total</b>	<b>£7,000</b>

Mr S was unable to withdraw any funds and kept being asked for more money. He realised he was the victim of a scam and brought a complaint to Monzo via a representative in October 2022.

Monzo says it wasn't able to fully investigate Mr S's claim as Mr S didn't report the scam directly. It responded to Mr S's representative and said that Monzo followed his instructions in making the transfers, and in any event Mr S's loss wasn't from his Monzo account. Monzo also said that given the warnings Mr S was provided with at the time he made the payments, he didn't take enough steps to verify the legitimacy and/or the identity of the third party he communicated with.

### *Our investigation so far*

The investigator who considered this case recommended that it be upheld in part. She said that by the last payment of £2,000 Monzo should have intervened as an unusual pattern of payments had emerged. But she said that Monzo should refund half of this transaction because Mr S didn't take steps to ensure the opportunity he was provided with was real. For example, Mr S didn't complete his own research or receive any documentation.

Mr S agreed with the investigator's recommendation, but Monzo didn't. In summary, it said:

- It hasn't had the opportunity to fully investigate Mr S's claim.

- Mr S bought cryptocurrency from a peer-to-peer seller and so received what he expected. He then moved assets to a scammer. The CRM Code doesn't cover the payment from Mr S's Monzo account to the peer-to-peer seller.
- Monzo had no reason to flag the transactions and if it had intervened it would have found the transactions were genuine.

The complaint has been passed to me to decide.

### **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.

Mr S authorised the scam payments from his Monzo account. 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 S is presumed liable for the loss in the first instance.

The Lending Standards Board Contingent Reimbursement Model Code (CRM Code) doesn't apply in these circumstances, as it only covers faster payments to a GBP account. In this case, Mr S made a faster payment to an individual who was genuinely selling cryptocurrency. Once funds had been exchanged for cryptocurrency Mr S moved the cryptocurrency to a scammer's wallet and this was his point of loss.

However, taking into account the law, regulatory rules and guidance, relevant codes of practice and good industry practice, there are circumstances where it might be appropriate for a bank to take additional steps or make additional checks before processing a payment in order to help protect its customer from the possibility of financial harm from fraud. An example of this would be if a payment instruction is sufficiently unusual or uncharacteristic for the usual use of the account. So I've gone on to consider whether I think Monzo should have intervened when the payment requests were made.

Mr S's account was opened in January 2022 but there was no activity on it until the scam payments were made around three months later. So Monzo couldn't compare the transactions with previous account and payment history.

The first two transactions were for relatively small amounts and there was nothing obvious about them that ought reasonably to have led Monzo to have any concerns. Although Mr S was buying cryptocurrency, Monzo had no reason to know this because of the method used to do so (peer-to peer). As far as Monzo was concerned, Mr S was transferring funds to a named individual.

But I believe that by the third payment, which was made around ten minutes after the second, Monzo ought reasonably to have intervened. Mr S's account had not been used at all since it was opened. This payment request was the third in two days and meant Mr S transferred £7,000 to a new payee in a very short timeframe. A pattern of scam payments was emerging that I think Monzo ought reasonably to have questioned.

I'm aware that Monzo provided Mr S with a generalised online warning but don't think this was enough in the circumstances of this case. The warning asked if someone could be trying to scam the payer and said to stop in certain circumstances. The reasons to stop the payment included being told the account is at risk, something that is too good to be true, to double check the payee and if the payer has been told to ignore a warning. I don't believe the warning would have resonated with Mr S and it was too general to cover the circumstances he found himself in.

I've gone on to consider what I think would have happened if Monzo had intervened. Mr S wasn't provided with a cover story, so I think he'd have been honest about the reason for the payment and explained that he was buying cryptocurrency. Given the reason for the payment I consider Monzo ought to have probed further and established why Mr S was

buying cryptocurrency. I'm satisfied that his response is likely to have been concerning given that Mr S thought he was buying cryptocurrency to release tasks to make an additional income. Monzo ought reasonably to have been aware of task-based scams of this nature and to have recognised the warning signs. So I believe that if Monzo had asked the kind of questions it ought to have asked the scam would have been uncovered and Mr S's further loss prevented.

Monzo has raised the point that had it intervened it would have established that Mr S was likely genuinely buying cryptocurrency. But Monzo is the expert here and would have been aware of the prevalence of scams involving cryptocurrency and ought reasonably to probe further to ensure a customer isn't at risk.

I've gone on to consider whether Mr S should also be partly responsible for his loss. After considering the position carefully I think Monzo should pay Mr S half of the final payment for the following reasons:

- Mr S found out about the employment on a social media platform and was referred to someone else who exchanged messages with him via a messaging app. These channels aren't regularly used for legitimate employment opportunities.
- Mr S wasn't provided with any documentation and didn't receive a contract to show what was agreed between the parties. This is unusual and I think Mr S should have had concerns.
- Mr S thought he was earning additional income but has not mentioned the name of a company providing employment.
- The reason given for the payments wasn't plausible and I haven't been given a reasonable explanation for the need to pay in cryptocurrency.
- Mr S was told he would make money instantly and his representative referred to strong additional income. I consider Mr S ought reasonably to have had concerns about what he was being offered to like and review social media content.
- Mr S didn't complete any research to satisfy himself the opportunity was genuine.

Overall, I can't fairly ask Monzo to refund the final payment in full.

I would usually expect a bank to try to recover scam funds from a receiving account but in this case the scam was reported around five months after the payments were made and the payments were to an individual for cryptocurrency. In the circumstances, I don't believe there was anything Monzo could have done to recover Mr S's funds.

### **My final decision**

For the reasons set out above I require Monzo Bank Ltd to:

- Refund Mr S £1,000;
- Pay interest on the above amount at the rate of 8% simple per year from the date of the transaction to the date of settlement (less tax if properly deductible).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 29 August 2023.

Jay Hadfield  
**Ombudsman**