

The complaint

Miss S has complained that Monzo Bank Ltd won't refund transactions she says she didn't make or otherwise authorise.

What happened

In early 2022, Miss S's Monzo mobile banking was used to receive a number of payments from her savings, then send two payments to a new payee, totalling about £10,000.

Miss S reported this to Monzo later that day. She's explained her mother received a call which Miss S took for her. The caller said they were from the internet company and had noticed that the internet connection had been compromised. They knew Miss S's mother's name, knew an engineer had visited the other day, used a technical trick to support what they were saying, and offered their employer ID numbers for verification. Miss S believed they were who they said they were. She explained she was ill at the time, she'd been sorting out her father's funeral, and it was a very long conversation.

Miss S explained they asked her to download an app to check her online accounts were safe, since she'd been using her mother's internet connection. Miss S downloaded an established remote access technical support app. She logged into her Monzo app using her PIN, to check it was safe. The callers never asked for her details and even told her to never give out her details, and Miss S says she didn't give them her PIN. She said she didn't see them do anything wrong while she could see her phone screen. Miss S became suspicious at the end of the call, when the caller told her not to check her online banking for a couple of days while they made things secure.

Monzo recovered £4.39 from the receiving bank, but otherwise held Miss S liable for the payments in dispute. It couldn't see how the scammers learned Miss S's PIN without her telling it to them, and it felt she'd been grossly negligent.

Our investigator looked into things independently and upheld the complaint. They explained that Monzo had to refund unauthorised payments. And they thought Miss S had grounds to trust the callers, so they didn't think she'd been grossly negligent.

Monzo didn't agree, so the complaint's been passed to me to decide.

I sent Miss S and Monzo a provisional decision on 5 June 2023, to explain why I thought the complaint should be upheld. In that decision, I said:

Monzo's technical evidence shows that the payments in dispute used Miss S's mobile app, and her PIN. But this is not enough, on its own, for Monzo to hold Miss S liable – it also needs to be able to evidence that Miss S consented to the transactions, or that she failed to keep her account safe either intentionally or through acting with gross negligence. Otherwise, Monzo has to refund the transactions.

It doesn't seem to be in dispute that Miss S was the unfortunate victim of a complex scam. But Monzo has raised some queries about how the scammers could have made the payments without Miss S giving them some form of authority.

Monzo argued that the remote access app doesn't give control of the device. But it is mistaken. Remote control is one of the main features of that app. Monzo also argued that the scammers would not have been able to learn Miss S's PIN without her telling it to them. But again, the remote access app allows users to see what is being entered on the keyboard. So when Miss S logged into her Monzo app with her PIN, the scammers would have been able to see which numbers she was entering via the remote access app.

So there is a clear point of compromise for Miss S's device and PIN. Monzo did not require any two-factor authentication to make these payments, so it was very much possible for a scammer to make them using just the remote access app and the PIN they'd seen Miss S enter. Miss S's testimony has been clear and consistent, fits with known scam methods, and is supported by the order and timing of the payments. And the way the payments were made – such as draining Miss S's funds to a new payee at speed – fit with what I'd expect from a fraudster. Lastly, I've not seen anything which reasonably shows that Miss S authorised these payments, or which makes it seem implausible that they could have been made without her consent.

So based on what I've seen so far, I'm not persuaded that Miss S consented to the disputed transactions – meaning Monzo cannot hold her liable for them on the basis of authorisation.

I've then thought carefully about whether Monzo can hold Miss S liable on the basis of gross negligence. It's reasonable to say that Miss S acted negligently here in allowing remote access of her phone based on a call. But gross negligence is a much higher standard than normal negligence. It involves a very serious disregard to an obvious risk.

Here, Miss S had reasons to believe that the scam call was genuine. The callers knew her mother's name, they seemed to know she'd had an engineer round the other day who'd tended to the internet connection, they used a technical trick to evidence they were telling the truth about the internet connection being insecure, they offered employee IDs to check who they were on any calls, they made it clear they'd never ask Miss S for any security details and told her not to give them any, and the app they asked her to download was an established app that really is used for remote technical support. Further, given Miss S's personal situation – such as her illness and recent bereavement, given the length of time she was speaking to the scammers, and given the convincing and pressured nature of these scams, I can understand how they could have worn her down.

Monzo questioned why Miss S would think that the recent engineer visit was relevant, given that the engineer was from the television company rather than the internet company. But as Miss S explained, the television service was digital, so in order to set up the television service, the engineer had physically interacted with the internet connection. The callers said that this caused the connection to become insecure. I can see why that would've made sense to Miss S at the time.

Monzo also questioned why Miss S would need to check her own apps if it was her mother's internet that was compromised. But given that Miss S's phone had been connected to her mother's internet, and she'd been convinced that her mother's internet had had its security compromised, it makes sense that she'd think her own phone was at risk, including its apps.

Lastly, Monzo suggested that Miss S should have read the literature for the remote access app, which contained a warning. As our investigator said, it would not be reasonable to expect Miss S to read the literature for the app, while speaking on the phone, to someone she had grounds to trust. It looks like Monzo now accept this point was not relevant.

Ultimately, Miss S was trying to protect her account by doing what she did. I can see why she'd allow someone remote access to her phone when she had grounds to believe they were really offering technical support, using a genuine technical support app. So while I agree that Miss S was negligent, I do not agree that her actions met the much higher bar of gross negligence.

I've also considered whether Miss S intentionally failed to keep her account safe. But as above, I don't think Miss S gave her PIN to the scammers. I think they learned it using the remote access app, which Miss S wouldn't have known at the time. I can't see that Miss S's actions would constitute an intentional failure to keep the account safe – ultimately, she actually took these actions to try to keep her account safe.

So while I can understand Monzo's point of view, based on what I've seen so far, I'm not persuaded that they can hold Miss S liable on the basis of gross negligence or an intentional failure to keep her account safe.

Further, taking into account the law, regulator's rules and guidance, relevant codes of practice, and what I consider to have been good industry practice at the time, I consider that Monzo should have fairly and reasonably:

- Monitored accounts and payments to counter risks such as fraud and scams;*
- Had systems in place to look out for particularly unusual transactions or other signs its customers were at risk of fraud;*
- In some circumstances, taken further steps or made further checks before a payment went out, or even blocked it, to help protect customers – irrespective of the type of payment involved.*

Here, the disputed payments were very large – so large that I'd expect them to have been of concern to Monzo. There were multiple payments involved, made rapidly, ultimately going to a new third-party payee who Miss S had had no dealings with before. These payments drained her account, and were very much out of character with her usual activity. I've reviewed Miss S's account usage in the months leading up to the scam, and I can't see any comparable activity. I think the payments involved stand out as being remarkable for a number of reasons, so I think they should have prompted Monzo to intervene. For example, Monzo should have not allowed the payments to go through without speaking to Miss S directly and questioning her about the payments and the possibility of a scam.

Had Monzo intervened and spoken to Miss S, I think it would have become clear that she did not consent to these payments and did not want them to go out. From what I can see, she didn't know the scammer was making these payments, and I've seen nothing to suggest she would not have been honest about things if questioned. The scammer hadn't told Miss S to lie if questioned – indeed, they hadn't told her they'd make any payments at all. And Miss S was open about what happened when she spoke to Monzo later that day. I'm also conscious that this is a relatively prominent type of scam, so I think Monzo would have been able to quickly identify what was happening and prevent it.

So I'm not currently persuaded that Monzo took sufficient steps to assure that fraud likely wasn't taking place, and that Miss S wasn't at risk of financial harm. And Monzo has an overarching obligation to not further financial crime. Had Monzo intervened, it's most likely it would've become clear that Miss S was falling victim to a scam, and so the loss could have been prevented. So I find that Monzo bears responsibility for Miss S's loss on this basis, as well as on the basis of the payments being unauthorised.

In terms of putting things right, Monzo of course will need to refund the unauthorised payments, less the £4.39 it has recovered. I also think Monzo should pay Miss S 8% simple interest on her loss. This is to compensate her for the time she's been without her money, and is the same rate the courts use for these sorts of situations. Lastly, while it was of course the scammer who caused Miss S the majority of her distress, I also think Monzo caused her some real stress and upset by not handling this matter appropriately. So I agree with our investigator that they should pay her £250 additional compensation for that.

I said I'd consider anything else anyone wanted to give me – so long as I received it before 19 June 2023.

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.

In response to the provisional decision, Miss S let us know that she was happy with what was said and had nothing further to add. Monzo reiterated that it didn't think Miss S had a plausible reason to download the technical support app, but accepted that this was not a new point. It didn't add anything further.

So neither side have sent me any new evidence or arguments. And so having reconsidered the case, I've come to the same conclusion as before, and for the same reasons as set out in my provisional decision above.

Putting things right

I direct Monzo Bank Ltd to:

- refund the disputed transactions, less the money already recovered;
- pay simple interest to Miss S on those transactions, at the rate of 8% simple a year, payable from the date they were debited until the date they're returned[†]. This is to compensate Miss S for the time she didn't have her money; and-

- pay Miss S £250 compensation for the trouble and upset it caused.

[†] HM Revenue & Customs requires Monzo to take off tax from this simple interest. Monzo must give Miss S a certificate showing how much tax it's taken off if she asks for one. Miss S may be able to claim the tax back from HMRC if she doesn't normally pay tax.

My final decision

For the reasons I've explained, I uphold Miss S's complaint, and direct Monzo Bank Ltd to put things right in the way I set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 18 July 2023.

Adam Charles
Ombudsman