

The complaint

Mr P complains that Monzo Bank Ltd (Monzo) wouldn't refund money he lost in an investment scam.

What happened

What Mr P says:

Mr P is represented by a third-party claims solicitor, but I will refer to him as the complainant here.

In October 2022, Mr P was messaged on social media by someone allegedly working for an investment company. He had been a victim of a previous scam, so was initially sceptical, but he was persuaded that investment in bitcoin was a good opportunity to make money and supplement his income.

He was sent a lot of information about the investment, which seemed credible. He saw nothing which suggested the company wasn't legitimate. He was sent a link by the scammer to register on the 'investment platform' – and he opened an account on it. Beginning on 24 October 2022, he started to send funds to the platform via a payment service provider (A).

He was shown (on the scammer's website) that his investment was performing well and trusted the scammer, so he sent a number of other payments to his account with A over the next two months. A total of 14 payments were sent as follows: **(continued)**

Date	Method of payment/beneficiary	Amount
24 October 2022	Faster payment/ Payment service provider (A)	£910
3 November 2022	Faster payment/ Payment service provider (A)	£680

14 November 2022	Faster payment/ Payment service provider (A)	£1,043
20 November 2022	Faster payment/ Payment service provider (A)	£200
28 November 2022	Faster payment/ Payment service provider (A)	£1,200
6 December 2022	Faster payment/ Payment service provider (A)	£900
6 December 2022	Faster payment/ Payment service provider (A)	£750
7 December 2022	Faster payment/ Payment service provider (A)	£985
8 December 2022	Faster payment/ Payment service provider (A)	£800
9 December 2022	Faster payment/ Payment service provider (A)	£440
13 December 2022	Faster payment/ Payment service provider (A)	£500
13 December 2022	Faster payment/ Payment service provider (A)	£500
13 December 2022	Faster payment/ Payment service provider (A)	£500
13 December 2022	Faster payment/ Payment service provider (A)	£500
Total loss		£9,908

On 12 December 2022, Mr P was advised his profits were £40,000 and he asked to make a withdrawal. For this, he paid a fee – but he heard nothing more. At that stage, he realised he had been the victim of a scam. He contacted Monzo on 25 January 2023 to report it.

Mr P was left in complete shock, he's lost all his savings and feels ashamed and depressed. He is now struggling to pay bills.

Mr P said Monzo should've done more to protect him. He said the type of payments and their frequency indicated that a scam was taking place. He said Monzo should refund the money to him.

What Monzo said:

Monzo didn't refund the money. They said:

- They executed the payments in accordance with Mr P's instructions. The payments weren't flagged by their systems as suspicious.
- They provided warnings about scams on their website.
- Mr P didn't protect himself as:
 - o He didn't take sufficient steps to verify the legitimacy of the scammer.
 - o He was contacted initially via social media and this was not a reliable source for investment recommendations.

- To make a profit of £40,000 in two months was too good to be true.
- There were negative reviews about the investment company on Trustpilot.
- Monzo hadn't signed up to the Contingent Reimbursement Model Code (CRM Code) but followed its spirit. But under the Code, Mr P wouldn't be entitled to a refund as the payments were made to his own account with the payment service provider A. It was the onward payments from A to the scammer which caused Mr P's losses.

Our investigation so far:

Mr P brought his complaint to us. Our investigator didn't uphold it. He said Monzo didn't need to intervene in the payments – they weren't of a high enough value, or regular enough to cause Monzo to intervene. Mr P had only recently opened his account with Monzo, so there was little account history to compare the payments to. Payment service provider A was an established payment firm, so there was even less reason for Monzo to question the payments.

Mr P didn't agree. He said the frequency of payments should've caused Monzo to be suspicious. He asked that an ombudsman look at his complaint, and so it has come 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.

I'm sorry to hear that Mr P has lost money in a cruel scam. It's not in question that he authorised and consented to the payments in this case. So although Mr P didn't intend for the money to go to a scammer, he is presumed to be liable for the loss in the first instance.

So, in broad terms, the starting position at law is that a bank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. And I have taken that into account when deciding what is fair and reasonable in this case. But that is not the end of the story. Taking into account the law, regulators rules and guidance, relevant codes of practice and 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 banks are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps, or make 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.

I need to decide whether Monzo acted fairly and reasonably in its dealings with Mr P when he made the payments, or whether it should have done more than it did. I have considered the position carefully.

The Lending Standards Board Contingent Reimbursement Model Code (CRM Code – ‘the Code’): Monzo hasn’t signed up to the Code. But they have agreed to follow its principles. So – I considered what the impact of the Code would be in this case. But here, the Code doesn’t apply. That is because it applies to faster payments made to another UK beneficiary– and in this case, the payments were made to Mr P’s own account with A. So – I set that aside.

The important matter here is whether these were payments that Monzo might reasonably have considered unusual, and therefore whether they should’ve held or stopped the payments and contacted Mr P about them.

I looked at Mr P’s account history with Monzo. He only opened the account in September 2022, so there was little account history to look at before the first payment to A on 24 October 2022. Of itself, given that this was a new account, this may mean there’s an argument to say that Monzo should’ve intervened. I also noted that many of the payments were initially returned by A, and Mr P then made them again – this is also a reason to have expected Monzo to intervene.

Mr P has argued that the frequency of payments should’ve caused Monzo to intervene. I’ve considered this point – and while on the one hand, this may have meant that Monzo might have stopped the payments, on the other hand, the pattern of payments to a known payment service provider (and to which firm previous payments had been made by Mr P) would also suggest Monzo didn’t need to question them. So – it cuts both ways here, and on balance I don’t consider that the frequency should’ve caused Monzo to intervene.

I must balance these points with the fact that these were very low value payments. And this is the overriding consideration here. I say that as there’s a balance to be struck: Monzo has obligations to be alert to fraud and scams and to act in their customers’ best interests, but they can’t be involved in every transaction as this would cause unnecessary disruption to legitimate payments. And therefore in this case, I think Monzo acted reasonably in processing the payments.

Also, the payments were to Mr P’s own account with A. They were not payments made directly to the scammer - those were presumably made from Mr P’s account with A. And A was a known payment service business – so this meant there was less reason for Monzo to intervene. And here, as the payments to the scammer were made from Mr P’s account with A, he should contact A about them.

Therefore, I do not consider that Monzo needed to intervene, stop the payments, and contact Mr P about them, and Monzo don’t need to refund the payments to Mr P.

Recovery

We expect firms to quickly attempt to recover funds from recipient banks when a scam takes place. I looked at whether Monzo took the necessary steps in contacting the bank that received the funds – in an effort to recover them. I can see Mr P contacted Monzo on 25 January 2023, and Monzo contacted A on 26 January 2023. They were then advised by A that no funds remained, and so nothing could be repaid.

I’m sorry Mr P has had to contact us in these circumstances. I accept he’s been the victim of a cruel scam, but I can’t reasonably hold Monzo responsible for his loss.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 19 October 2023.

Martin Lord
Ombudsman