

The complaint

Ms B complains that Monzo Bank Ltd (“Monzo”) refuses to refund her losses after she fell victim to a scam. Ms B is represented by a claims management company.

What happened

Ms B saw an advert on social media for a Cryptocurrency company (which I’ll call S). She registered on S’s website and they then contacted her on the phone.

In October 2021, Ms B opened a Monzo account. Ms B made payments from her Monzo account to a third-party exchange which I’ll call C. From there, she sent money onto the scammers.

Between October 2021 and January 2022, Ms B made several transactions, ranging from £2 to £8,000 to C, which she then sent on to S. S turned out to be a scam company and she lost the money she had invested in that company.

On 22 January 2022, Ms B contacted Monzo to report the scam and ask for help. On the same day, Monzo asked the recipient bank to return any monies still retained. On 25 January 2022, the recipient bank replied the no funds remained to be returned. Monzo explained this to Ms B.

Ms B then raised a complaint against Monzo, saying it ought to have intervened when she sent these payments, and had it done so, it would have discovered the scam and prevented the loss. Ms B felt Monzo had failed in its duty to protect her.

Monzo didn’t agree explaining that while it was sorry Ms B had fallen victim to the scam, it had done nothing wrong and should not be held liable for the losses.

Unhappy, Ms B referred the complaint to this service. One of our investigators looked into the complaint and didn’t think that Monzo should have to cover the losses Ms B had suffered. She didn’t think any of the transactions were sufficiently unusual or suspicious and so didn’t think it was unreasonable that Monzo hadn’t intervened before Ms B sent any of the payments.

Ms B didn’t agree, highlighting that at least the payment of £5,000 ought to have been flagged by Monzo. She also felt that the payments were going to a new payee, and they had gradually increased in value – so this had all the themes of a scam.

As an agreement couldn’t be reached, the complaint was passed to me to decide.

In my provisional decision of 17 July 2023, I set out why I was minded to not upholding the complaint. I invited both parties to provide any further submissions they may wish to make before I reached a final decision. Monzo didn’t make any further comments but Ms B (through her representative) didn’t agree with my provisional decision making some additional comments which I will address below.

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 my provisional decision I explained the following:

Having done so, I don't think Monzo should be held liable for the losses here and I'll explain why.

To begin with, where customers authorise payments from their accounts, businesses such as Monzo are under an obligation to process such transfers. If consumers authorised the transactions, the starting point is that they're responsible. To be clear, Monzo did not scam Ms B and it is not the perpetrator of the scam.

However, financial businesses also have a duty to try to prevent their customers falling victim to scams. Businesses therefore need to strike a balance between intervening in payments to prevent scams or financial harm against the risk of unnecessarily inconveniencing or delaying legitimate transactions.

In order for me to uphold a complaint of this nature, and hold Monzo liable for the losses instead of Ms B, I'd need to be satisfied that Monzo failed in its duty to protect Ms B in some way, and that if it had instead done what it should have done, this either would have stopped the losses from occurring in the first place or helped to mitigate the losses once notified of the potential scam (by retrieving the money for example).

The first thing I must bear in mind is that this was a new Monzo account that Ms B had opened solely to make these payments. So Monzo did not have a history of spending to review to identify whether these were unusual/suspicious transactions for her.

Ms B's first few payments were for relatively small amounts and all parties appear to agree that these payments were of low value and otherwise unremarkable. I appreciate these amounts might be a lot of money for many consumers, but when compared to the thousands of transactions a business like Monzo processes – none of them are sufficiently significant figures that I would expect to trigger alarm bells. It is common for many consumers to transfer money like this to their online exchange like C quite frequently to trade and many of these transactions are completely legitimate. So, when assessing if Monzo should have contacted Ms B – I have to bear in mind the information available to Monzo at the time of the event. In the absence of any other concerning factors, I don't think these payment amounts are enough to have prompted an intervention by Monzo. Ms B appears to agree.

Ms B, however, felt that the payment she made on 1 December 2021, for £5,000 ought to have triggered an intervention. She felt this payment was for a larger amount than she'd previously sent, and by this time her payments had gradually increased in amount.

However, like our investigator, I don't agree with Ms B, and I'll explain why. £5,000 may seem like a lot of money, but like the other payments she'd already sent, this sum is not unusually significant in the context of the thousands of transactions that a business like Monzo processes. By the time this payment had been sent, the payee had already been established, as Ms B had sent 6 payments to C before this one. I also have to bear in mind that Ms B had her Monzo account for a very short amount of time. So Monzo would still not have much to go on to determine her typical account activity and what should be regarded as unusual, uncharacteristic or suspicious. The £5,000 payment was also sent around five days after she had sent an earlier payment. So, there isn't a collection of payments sent on the same day or within a short space of time, that might also have been concerning.

So, in the absence of any other concerning factors, I don't think the sum alone ought to have triggered an intervention. For a sum of this amount, in the absence of any other concerning factors, any intervention would have to have been proportionate to the risk present. Here, at most, I would have expected Monzo to have shown her a general written warning. But Ms B had been shown a written warning earlier on during a first payment, and it didn't deter her in any way, so I'm not persuaded that a written warning would have had any impact in this case, in any event.

I've also thought about the payments Ms B made following this £5,000. And while she did make two other transactions of £8,000, these were again sent to an established payee, and not in short succession. So, for the same reasons as I don't think it was unreasonable for Monzo to have not intervened in the £5,000 payment, I also don't think it was unreasonable that it didn't intervene before these payments were sent either.

I understand Monzo issued a notice of account closure to Ms B in early January 2022, and subsequently closed her account in March 2022. Ms B says she believes Monzo might have suspected the scam and therefore closed her account. I don't know why Monzo closed Ms B's account, she hasn't complained about the closure of the account, so it isn't something we've investigated. However, usually, where a bank becomes aware of a scam, it will take measures to protect its consumers from harm, rather than closing their account. And nothing I've seen in the bank's records indicates it was aware of the scam and didn't inform her of it. So, I am still satisfied that Monzo wasn't aware of the scam, and it didn't unreasonably miss an opportunity to prevent the loss. It therefore couldn't have stopped Ms B falling victim to the scam.

Monzo also tried to retrieve the money from the exchange after being alerted to the scam but was told nothing remained. So, overall, I don't think it's fair for Monzo to be held liable for the losses.

I'm very sorry Ms B has lost this amount of money and I have no doubt that this has caused her a significant amount of distress. But as I've said above, Monzo was not the perpetrator of the scam, and I don't think it acted incorrectly by not intervening before she sent her payments. So, as it couldn't have prevented the loss, I don't think it's fair for it to be held liable for Ms B's losses.

Ms B reiterates that Monzo ought to have intervened given the value of the payment and that the money was going to a cryptocurrency exchange which they feel was known for being associated with fraud. They also refer to two other decisions where despite consumers having opened a new account, it was decided that the financial businesses in those cases ought to have intervened.

Firstly, I'd like to reiterate that many cryptocurrency exchanges have been used by scammers to facilitate fraud but while that may be the case, there's nothing to suggest that the exchange itself was party to the fraud. Many consumers transfer amounts like this to exchanges like C completely legitimately to invest and trade. So, I don't think these factors alone are enough to persuade me that Monzo ought to have intervened.

I would add that each case is decided on the individual merits of that case and whether a business should have intervened is very specific to each case. We would expect a business to consider a number of factors before deciding whether it is appropriate to intervene. I have already explained why I don't think it's unreasonable that Monzo didn't intervene in this case having considered the specific facts of Ms B's case. So, nothing Ms B's representative has said has changed my view of this complaint.

Having reconsidered this complaint in its entirety, including Ms B's representatives' additional comments, I find no reason to depart from my original findings as set out in my provisional decision. So, while I am again very sorry that Ms B lost this amount of money, I still don't think Monzo should be held liable for the losses and I don't uphold this complaint.

My final decision

For the reasons explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 4 September 2023.

Asma Begum
Ombudsman