

The complaint

Mrs B complains that Monzo Bank Ltd won't refund money she lost when she fell victim to two investments scams in October 2022.

Mrs B is being represented by solicitors in her complaint.

What happened

The detailed background to this complaint is well known to both parties. The facts about what happened aren't in dispute, so I'll focus on giving my reasons for my decision.

The complaint concerns ten transactions – debit card and faster payments – totalling £35,226.88 which Mrs B made to a cryptocurrency exchange from her Monzo account in October 2022. Mrs B says she made the payments in connection to investment opportunities promoted by two different companies that she came across on an instant messaging platform. She says the second company also offered to help recover funds from the first company after Mrs B realised that she'd been scammed. But the second company also turned out to be a scam.

Monzo didn't uphold Mrs B's complaint and it was reviewed by two investigators when it was referred to our service. The first investigator recommended Monzo to refund 50% of the payments from the sixth transaction onwards. They didn't think the earlier transactions were unusual for the account such that Monzo ought to have intervened. And they made a deduction from the payments being refunded as they believed Mrs B had contributed to her losses. Neither party accepted this outcome.

The second investigator concluded that Monzo should have intervened even earlier – at the time of the second payment. They agreed with the first investigator in that an intervention would have made a difference to Mrs B's decision-making and that a deduction for contributory negligence was warranted. Mrs B accepted the revised recommendation. Monzo accepted that it could have done more to prevent the scam, but it said it was only willing to honour the initial recommendation of refunding 50% of the payments from the sixth transaction onwards. It didn't agree that the earlier transactions were out of character.

I haven't listed the disputed transactions as they have been previously set out by both investigators in their respective assessments.

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.

It is accepted by all parties that Mrs B was scammed by the two companies in question. Monzo accepts that it could have done more to prevent her from being scammed. And Mrs B accepts that she didn't carry out sufficient due diligence into the companies before engaging with them and so should bear equal responsibility for what happened.

It therefore seems to me that what's left for me to decide is at what point Monzo should have intervened and made further enquiries.

I've considered Mrs B's account activity in the year leading up to the disputed transactions to establish whether the transactions ought to have appeared so unusual or uncharacteristic that Monzo should have paused them pending further enquiries.

In my view, the first disputed transaction (debit card payment for £3,650) wasn't so unusual or out of character such that I would have expected Monzo to have picked it up as being suspicious. But by the time Mrs B authorised the second transaction (debit card payment for £10,000) the following day, I think Monzo ought to have been concerned that there was a possibility that something wasn't right. Although this payment went to the same merchant as the previous one, there was a nearly three-fold increase in the amount that Mrs B had authorised.

Given the substantial increase in the value and the fact that Monzo would have been able to tell that it was cryptocurrency-related, which both the Financial Conduct Authority (FCA) and Action Fraud had raised scam concerns about, I consider that the transaction ought to have triggered the bank's fraud detection systems. And that it would have been reasonable for Monzo to have properly questioned Mrs B before executing her authorised instruction. I note that the next transaction (£3,000 to the same merchant) did flag on Monzo's system, and it blocked it pending further review. But as I've explained, I consider that it should have been the second transaction that ought to have triggered as suspicious.

Had Monzo made further enquiries about the transaction in question and warned Mrs B about cryptocurrency scams, I've no reason to doubt that she would have explained the true purpose of her payment and how she came to know about the investment opportunities. I can't see that Mrs B had been given a reason to think she had to hide this information from her bank. Neither is there any evidence that she had been coached to tell them something different.

I'm persuaded that Mrs B would have paid attention to warnings from her trusted bank, and that a meaningful intervention would have caused her to stop from going ahead with that payment. As I've mentioned above, Monzo already accepts that an intervention would have worked. For the reasons I've given, I consider this intervention ought to have happened at the time of the second transaction and not the sixth as Monzo has argued. So, I find that it is liable for the loss Mrs B suffered from the second transaction onwards.

Thinking about contributory negligence, Mrs B already accepts that she should bear shared responsibility for her losses. But for completeness, I agree that compensation should be reduced by 50% seeing as Mrs B decided to send substantial sums of money based on messages exchanged with unknown third parties on an instant messaging service. She also didn't question it when she was suddenly asked to make a payment equalling nearly half her trading account balance to verify her identity. And even after realising that she had been scammed, Mrs B agreed to make further payments to a similar investment opportunity without carrying sufficient due diligence.

Finally, I've also thought the recovery of funds once Monzo became aware of the situation. For the card payments, the only recourse would have been a chargeback. But it could have only been attempted against the merchant Mrs B paid, i.e., the cryptocurrency platform, not a third party (the scammer). It's unlikely that a chargeback would have been successful given the merchant did provide the service that was requested (conversion of fiat money into cryptocurrency).

As for the faster payments, my understanding is that the money was sent to Mrs B's crypto wallet. Given she's told us that once converted into cryptocurrency, she sent it on to the scammer (although she didn't know this at the time), no funds would have been recoverable from the beneficiary (the provider of her crypto wallet). Even if I'm wrong about what happened, and Mrs B's payments went directly to the scammer's wallet, I can see that Monzo contacted the beneficiary bank and made a recall request when it was notified of the scam. But it was informed that no funds remained. Under the circumstances, I don't think Monzo could reasonably have done anything more.

Putting things right

To put matters right, Monzo Bank Ltd needs to –

- refund Mrs B all the disputed transactions *except* for the first transaction, and
- pay simple interest at the account rate of the originating account, i.e., where the funds came from, calculated from the date of loss to the date of settlement (less any tax properly deductible).

Monzo Bank must pay the compensation within 28 days of the date on which we tell it that Mrs B accepts my final decision.

My final decision

For the reasons given, my final decision is that I uphold this complaint. I require Monzo Bank Ltd to put things right for Mrs B as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 8 February 2024.

Gagandeep Singh
Ombudsman