

The complaint

Mrs A complains that Monzo Bank Ltd (“Monzo”) won’t refund the money she lost as part of a scam.

What happened

The background to this complaint is well known to both parties, so I’ll only refer to some key events here.

In August 2021 Mrs A was contacted by someone purporting to be from a legitimate crypto exchange platform offering to help her recover funds she’d lost previously as part of a crypto investment scam. This unfortunately also turned out to be a scam.

The following payments were made to a crypto exchange (Kraken) and my understanding is that the funds were then transferred on to the scammer that I will call B.

Transaction Number	Date	Amount	Merchant	Running Total
1	17/08/2021	£1,455	Payward	£1,455
2	18/08/2021	£4,098	Payward	£5,553
3	19/08/2021	£4,680	Payward	£10,233
4	19/08/2021	£4,640	Payward	£14,873
5	20/08/2021	£4,600	Payward	£19,473
6	20/08/2021	£4,589	Payward	£24,062
7	27/08/2021	£19.99	Amazon	£24,082

Mrs A made a complaint via a representative to Monzo and requested that the above transactions be refunded. Monzo declined to do this.

One of investigators looked into this matter he initially did not uphold this complaint. But after more information was provided by both parties, he decided that Monzo should have intervened at transaction 4 and had it done so Mrs A would have explained that she was making a payment to B to help her recover funds she had previously lost as part of a scam. She therefore recommended that transaction 4,5,6 should be refunded. He did not think that transaction 7 was likely part of the scam.

Monzo said in summary, the payments were not out of character as Mrs A had a short history of trading in cryptocurrency over a few weeks and it does not believe that Mrs A would have been forthcoming about how the account was opened and exactly who made the transactions.

So, this complaint has been passed to me to issue 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.

Firstly, from what I can see I don't think payment 7 was likely part of a scam as it seems to have been a Mastercard payment to Amazon. So, I am not going to recommend that this payment be refunded,

There is some debate over whether Mrs A authorised the other payments in question, but given the information provided by both parties I think on balance that she probably did make the payments, but it was done using the instructions of B telling her what to do.

At the time Mrs A made her payments, banks were expected to process payments a customer authorised it to make; but as a matter of good industry practice, a bank should have taken proactive steps to identify and help prevent transactions – particularly unusual or uncharacteristic transactions – that could involve fraud or be the result of a scam.

There is a balance to be struck: banks had (and have) 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.

This was a very sophisticated scam and Mrs A had been introduced to what appeared to be a way for her to recover funds she had previously lost as part of a scam. The documents she was sent looked professional.

All of the payments in dispute (bar 7 which I am not satisfied was part of the scam) were Faster Payments sent to a well-known crypto exchange. So, it's reasonable for me to conclude that Monzo ought to have known that Mrs A was likely purchasing crypto at the time she sent these payments. I've also thought about whether there was anything else about the payments which ought to have concerned Monzo.

The first three payments

I agree with our investigator, and I don't think I can fairly say that the first three payments were off a sufficient size for Monzo to have intervened. Also the account was a new account so Monzo could not compare these transaction with Mrs A's usual spending habits.

Payment four

I do however think payment four, when taken cumulatively with payment three ought to have warranted an intervention from Monzo. Payment four represented a total of £9,320 on the same day to a relatively new payee for Mrs A.

Monzo has said Mrs A would have seen a new payee warning when she sent her first Faster Payment. I've read the contents of the warning Mrs A would have seen and I don't think it was relevant to the investment scam she'd fallen victim to.

Monzo confirmed it didn't intervene and I think it was a missed opportunity to do so. If Monzo had intervened (as I think it ought reasonably to), I'd have expected it to query with Mrs A what the purpose of the payment was. I think she'd have likely explained she was purchasing crypto in order to recover funds that she lost due to a scam. I'd also have expected Monzo to query whether she was doing this upon the advice of a third party. I think this would have prompted Monzo to highlight that it was likely that she was being scammed as I am unaware of any situation whereby a consumer has to send crypto to a third party to recover funds from a previous scam.

So, before payment four was actually processed, Mrs A would probably have stopped in her tracks. But for Monzo's failure to act on clear triggers of potential fraud or financial harm, Mrs A would probably have not lost this and the subsequent payments.

I've also thought about whether Mrs A's actions contributed to her losses. Despite regulatory safeguards, there is a general principle that consumers must still take responsibility for their decisions.

In the circumstances, I do not think it would be fair to reduce compensation on the basis that Mrs A should share blame for what happened. As I explained, this was a sophisticated scam and I think Mrs A believed it was legitimate. The documents provided by B looked real and their communication was convincing. So, I don't think that Mrs A should share blame for what happened.

I've considered whether Monzo could have recovered any of Mrs A's payments. But given that the payments were sent to a crypto exchange and were then forwarded on to B I don't think that any recovery could have been made or that the Contingent Reimbursement Model applies in this instance.

Putting things right

- 1) Refund transactions 4,5,6
- 2) Add 8% simple interest, per year, on this amount, from the date of the payments, to the date of settlement (less any lawfully deductible tax)

My final decision

Monzo Bank Ltd should refund payments 4,5,6 It should also pay 8% simple interest, per year, on this amount, from the date of the payment, to the date of settlement (less any lawfully deductible tax).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 23 October 2023.

Charlie Newton
Ombudsman