

The complaint

Mr P complains that Monzo Bank Ltd (“Monzo”) won’t refund money he lost when he fell victim to an investment scam.

What happened

The details of what happened are well known to both parties and have also been previously set out by the investigator. So, I won’t repeat them again here. Instead, I’ll focus on giving my reasons for my decision.

The complaint concerns two payments totalling £10,004.47 which were made from Mr P’s Monzo account in August and November 2021 respectively. Mr P sent the funds to his cryptocurrency wallet with a crypto exchange for conversion into cryptocurrency, which was then sent on to his account with a firm “G”. But G subsequently turned out to be a scam. Mr P contacted Monzo about it in the August of the following year.

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.

Having done so, I agree with the conclusions reached by the investigator for the following reasons:

- Under regulations and in accordance with general banking terms and conditions, banks should execute an authorised payment instruction without undue delay. The starting position is that liability for an authorised payment rests with the payer, even where they are duped into making that payment. There’s no dispute that Mr P made the payments using his security credentials, and so they are authorised.
- The first disputed transaction – £5,000 on 14 August – was made through the faster payment system. And Mr P made the second transaction – £5,004.47 on 10 November – using his Monzo debit card. Although Monzo hasn’t signed up to the voluntary Contingent Reimbursement Model (CRM) Code, which requires signatories to reimburse customers who are victims of authorised push payment scams in all but a limited number of circumstances, it has publicly committed to acting within the spirit of the Code where it applies. But the CRM Code doesn’t apply to the payments Mr P made from his Monzo account. This is because card payments, as well as faster payments between accounts held by the same person, aren’t covered under the Code.
- While I find the CRM Code doesn’t apply here, that code is not the full extent of the relevant obligations that could apply in cases such as this. In accordance with the law, regulations and good industry practice, a bank should be on the look-out for and protect its customers against the risk of fraud and scams so far as is reasonably possible. If it fails to act on information which ought reasonably to alert a prudent

banker to potential fraud or financial crime, it might be liable for losses incurred by its customer as a result.

- In Mr P's case, his Monzo account had been opened just days prior to the first disputed transaction. Where there's no previous account history, what should reasonably strike to Monzo as concerning for a first payment isn't solely down to the transaction amount involved. Purchasing cryptocurrency is a legitimate exercise. What's more, Monzo has provided internal system screenshots of the information that was captured at the time Mr P applied for the account. Amongst other questions, he was asked how he expected to use his Monzo account. 'Cryptocurrencies' is the recorded response.
- Mr P submits that the information wasn't requested during the application process. He suggests that it was captured later, possibly in 2022. I recognise the strength of his feelings on the matter. In my experience, it's not unusual for payment service providers to ask for the intended purpose of the account being applied for. In this case, based on the evidence Monzo has provided, I'm persuaded that the information pertains to Mr P and that it was captured when he applied for the account.
- In the circumstances, the provision of a general warning about scams during the payment journey would have been a sufficient step for Monzo to take when Mr P authorised the transaction in question. I've reviewed the technical audit data and I can see that a new payee warning was displayed on the screen before the transaction was completed. Therefore, I don't think Monzo acted unreasonably in following Mr P's authorised instruction.
- The next transaction wasn't until three months later. As this was also to a cryptocurrency exchange and was similar in value to the previous transaction, I don't consider Monzo ought to have been concerned such that it should have questioned Mr P. I can see he's contended that it should have been concerned at the time, given that he'd already attempted to send the funds just days prior, but they were returned to his account. I understand the point Mr P is trying to make. However, there was a five-day gap between the funds debiting his account and being sent back. Monzo couldn't have reasonably known that it was the reversal of the earlier transaction and that the funds had been rejected. The transaction would simply have appeared as a credit from a crypto wallet. Regardless, funds can be returned by a cryptocurrency exchange for several reasons, including but not limited to exceeding daily limit or information mismatch. I wouldn't have expected Monzo to know why the transaction was rejected even if it was able to tell that this is what had happened.
- I've also thought about whether Monzo could have done more to recover the funds once it became aware of the situation a year later, as in some circumstances the money can be recovered. Mr P's payments went to a cryptocurrency exchange and Monzo could have only attempted recovery from it. In relation to the debit card payment, he wouldn't be able to make a successful chargeback claim in the circumstances because the merchant he paid did provide the service requested (i.e., conversion of fiat money into cryptocurrency). As for the faster payment, once the funds were converted into cryptocurrency, they were transferred out of Mr P's crypto wallet. So, no funds would have remained for Monzo to recover.

In summary, I recognise that this will come as a considerable disappointment to Mr P. Not least because the matter has been ongoing for some time. Despite my natural sympathy for the situation in which he finds himself, I don't find that Monzo has acted unfairly or unreasonably. So, I won't be making an award against it.

My final decision

For the reasons given, my final decision is that I don't 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 15 January 2024.

Gagandeep Singh
Ombudsman