

The complaint

Mr T complains that Monzo Bank Ltd did not refund a series of payments he lost as part of a scam.

What happened

Mr T had made a series of investments through his account with a third-party bank from November 2020 onwards. Having invested large sums of money, the company he was dealing with essentially disappeared and he could no longer contact any of the representatives.

He was then contacted by an individual I'll call 'J', who assured Mr T he could recover his funds. Unfortunately, J was a scammer and he said Mr T had to pay a percentage of the sum he was attempting to recover in order for the funds to be released. Mr T says that the scammer set up an account with Monzo in his name so he could fund the account. He was told these funds would then be used to recover his lost investment. He's said that he did not authorise the payments out of the Monzo account and is unaware of where they went to.

These payments were as follows:

Date	£ Paid Out	Paid To
10/12/2021	2,470.00	T (an account in Mr T's name)
13/12/2021	5,840.00	T (an account in Mr T's name)
14/12/2021	8,119.00	T (an account in Mr T's name)
15/12/2021	9,511.00	T (an account in Mr T's name)
15/12/2021	7,111.00	C (an account in Mr T's name)
16/12/2021	7,539.00	C (an account in Mr T's name)
16/12/2021	12,001.00	C (an account in Mr T's name)
16/12/2021	11,999.00	C (an account in Mr T's name)

After the final payment, Monzo had concerns about the conduct of the account and made the decision to freeze it and eventually close the account. Following this, J set up another two accounts in Mr T's name with other providers and he went on to make a series of additional payments as part of the scam. Ultimately, the scam was not revealed to Mr T until representatives from the police contacted him and he raised this with Monzo in October 2022.

Monzo issued a final response in which it explained that it was not liable for consumers who fell victim to investment scams, so it did not uphold his complaint. Mr T referred the complaint to our service and our Investigator looked into it. Based on what they saw, they felt it was more likely the transactions in question were authorised by Mr T. While they felt Monzo could have done more to intervene sooner, they didn't agree that this would have stopped Mr T from carrying on and making the transactions regardless. As a result, they did not agree Monzo should refund the transactions.

Mr T disagreed with this, and he highlighted there were warning signs that Monzo did not pick up on. As an informal agreement could not be reached, the complaint has been passed to me for 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.

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I've firstly considered whether I think the transactions were authorised by Mr T or not. Mr T has said the account was set up by J and he did not make the transfers himself. However, I can see that the account was opened using Mr T's correct information, and was linked to his genuine telephone number. In addition, I've listened to a telephone call from 14 December 2021 between Mr T and Monzo. In this, Mr T explains he had been trying to make a payment that day but needed the transfer limit on the account to be increased. In this call it was also confirmed he already had the Monzo app on his device. So, I think Mr T was actively aware of payments being made on the account which he approved of and he therefore either made or otherwise authorised the payments himself.

With this in mind, even though he did not intend the funds to eventually be lost as part of a scam, the starting position in law is that Monzo was obliged to follow Mr T's instruction and process the payments. This is because broadly speaking, an account provider is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the terms and conditions of the account. And a customer will then be responsible for the transactions that they have authorised.

The regulatory landscape, along with good industry practice, also sets out a requirement for account providers to protect their customers from fraud and financial harm. And this includes monitoring accounts to look out for activity that might suggest a customer was at risk of financial harm, intervening in unusual or out of character transactions and trying to prevent customers falling victims to scams. So, I've thought about whether or not Monzo did enough to try and keep Mr T's account safe.

As the account was opened for the purpose of moving Mr T's money between his accounts as part of the scam, there was no previous genuine account activity that can be used as a benchmark. Meaning Monzo had no genuine account activity to compare the scam payments to in order to see if they were unusual. In addition, the payments were going to other accounts in Mr T's name, which as a starting point is not particularly suspicious. With this in mind, I don't think the first four payments would have appeared unusual, despite their relatively high values.

However, Mr T did contact Monzo on 14, 15, and 16 December to ask for the daily transfer limit on the account to be increased, and at times urged Monzo to hurry with the request. In addition, there were credits made to the account that were quickly sent out, which can be an

indication of a scam though not necessarily in isolation. And the final four payments were to a cryptocurrency wallet in Mr T's name, however he had previously said the increases in transfer limits were to facilitate payments for home improvements, which is unusual. Finally, after the payment of £7,111 a flag was placed on the account due to the speedy transactions. Considering all of this, I think it would have been reasonable for Monzo to have had a more detailed conversation with Mr T when he tried to make the payment of £7,539.

I've gone on to consider whether intervention from Monzo would have revealed the scam and convinced Mr T not to carry on with the payments. Following Monzo freezing his account and eventually closing it, an account with another e-money provider was opened in Mr T's name, and he's said he went on to make over £200,000 in payments via that account. In addition, even after that the spell that J had over Mr T was not broken until representatives from the police became involved almost a year after he made the payments in question via Monzo. With this in mind, I think at the time of the payments from Monzo, Mr T was deep under the spell of the scam and it's difficult to agree that any tailored scam warning would have broken this. In addition, I think it's more likely that he would have been coached by J in his answers to any questions Monzo may have had, so it's unlikely further questioning at that time would have revealed the scam.

Following the three payments on 16 December 2021, Monzo made the decision to freeze the account and I think that was a reasonable approach at that stage seeing as the pattern of spending on that day, along with the previous issues mentioned above, followed the trends of a scam. I've considered whether it should have done so sooner, however while it had some concerns the day before, I don't think it would have been a proportionate response at that stage to block Mr T's access to his account and his funds.

In summary, while I think Monzo could have questioned Mr T in more detail once it began to have concerns, I think it's unlikely this would have revealed the scam at that stage. And I think it took appropriate action once it became more obvious Mr T had been the victim of financial harm. Because of this, I do not direct Monzo to refund the transactions to Mr T. I know this will come as a disappointment to him, but I hope he has gone some way to explain the outcome I have reached.

My final decision

I do not uphold Mr T's complaint against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 4 March 2024.

Rebecca Norris
Ombudsman