

The complaint

Mr B complains that Monzo Bank Ltd ('Monzo') won't refund him after he fell victim to a scam.

What happened

Mr B is represented in this case but for ease I'll refer to Mr B throughout this decision.

Mr B has had an account with Monzo since 2019. In around December 2022 Mr B used a dating website and received a message from someone I'll refer to as O in this decision. They exchanged messages daily and quickly developed a relationship and discussed plans to be together. After messaging for around two weeks O introduced Mr B to investing as a way to build a secure life together. O gave the impression he had a lot of investment experience.

Mr B initially transferred £1,000 from an account with a different firm and was able to see his funds on a trading platform. In a few days Mr B made a profit of £300 and was encouraged to continue to invest. Each time Mr B invested funds O guided him through the process and told him who to buy cryptocurrency from through a peer to peer platform and where to transfer it.

Mr B had access to a platform and could see that he was making good profits. When Mr B wanted to withdraw funds, he was advised of a 10% fee which amounted to around £50,000. O put him under pressure to make this payment and said that his funds were tied in with Mr B's and could only be released at the same time as Mr B's.

I have listed in the table below all the payments Mr B made from his Monzo account:

Payment no	Date	Time	Amount	Recipient	Warnings?
1	11/01/23	7:43	£1,279	1	CoP, new payee, low friction
2	11/01/23	7:53	£1,027	1	
3	11/01/23	8:02	£2,000	2	CoP, new payee, low friction
4	11/01/23	8:06	£1,500	3	CoP, new payee, low friction
5	11/01/23	8:13	£4,000	2	
6	12/01/23	7:25	£2,000	2	
7	12/01/23	7:37	£2,000	4	CoP, new payee, low friction
8	12/01/23	7:45	£2,000	4	
9	12/01/23	7:51	£2,000	4	
10	12/01/23	7:58	£1,900	4	
11	14/01/23	3:34	£4,000	5	CoP, new payee, low friction
12	14/01/23	3:44	£4,000	5	

13	14/01/23	4:15	£1,000	6	CoP, new payee, low friction
14	14/01/23	4:24	£850	7	CoP, new payee, low friction
15	15/01/23	4:01	£1,500	8	CoP, new payee, low friction
16	15/01/23	4:14	£1,800	7	
17	15/01/23	4:48	£1,500	8	
18	15/01/23	4:56	£1,500	8	
19	15/01/23	5:11	£1,500	8	
	15/01/23	5:44	£1,780	8	
	Total		£39,136		

Mr B realised something wasn't right when he encountered difficulties in withdrawing his funds and reported the scam to Monzo on 21 January 2023. Monzo considered Mr B's claim but didn't agree to a refund. It said it provided Mr B with warnings and he didn't take enough steps to satisfy himself the investment opportunity was genuine.

Mr B wasn't happy with Monzo's response and brought a complaint to this service. He said that Monzo should have picked up on the fact he made multiple payments over a very short timeframe and set up multiple new payees.

Our investigation so far

The investigator who considered this complaint recommended that it be upheld in part. He said Monzo should have asked Mr B questions when the fifth payment in the table above was made and had it done so the scam would have been uncovered. By this payment Mr B would have transferred almost £10,000 to three new beneficiaries in 31 minutes and he had transferred £6,000 to one individual in two transactions. But as Mr B didn't complete any checks and was offered a huge and guaranteed rate of return, he should receive 50% of payment five onwards, plus interest.

Mr B accepted the investigator's findings, but Monzo did not. In summary, it said:

- There was nothing concerning about the payments for it to flag. The balance of Mr B's account remained high and in the week prior to the scam Mr B made transfers of £7,475 and £5,405.
- There's nothing to say Mr B would have told Monzo the truth about his relationship or the investment if it had asked questions.
- Mr B didn't do enough to protect himself – he completed no due diligence and the deal offered was unrealistic.
- The payments from Mr B's Monzo account were legitimate payments for cryptocurrency which Mr B received. The loss occurred when Mr B transferred cryptocurrency to the scammer, and this isn't Monzo's responsibility.

The complaint has been passed to me to consider.

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.

I'd like to say how sorry I was to hear about what has happened to Mr B. The person Mr B thought he was building a future with turned out to be a cruel scammer. I recognise the huge impact the scam has had on Mr B.

Mr B's representative has referred to Monzo's obligations under the CRM Code and otherwise. But the CRM Code doesn't apply in this case because it only applies to a transfer of funds executed across faster payments between GBP accounts in certain circumstances. In this case, Mr B made faster payments to various individuals to buy cryptocurrency which he transferred to the scammer. The sending of cryptocurrency isn't a faster payment between two GBP accounts as required by the CRM Code.

In broad terms, the starting position in law is that Monzo is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the terms and conditions of the customer's account. It's not disputed that Mr B made and authorised these payments, although I accept that when he did so he didn't think his funds were at risk.

However, taking into account the law, regulator's rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider Monzo should fairly and reasonably:

- Have been monitoring accounts and any payments made or received to counter various risks, including anti-money laundering, countering the financing of terrorism, and preventing fraud and scams.
- Have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which banks are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, before processing a payment, or in some cases declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

In this case, I need to decide whether Monzo acted fairly and reasonably in its dealings with Mr B when he authorised payments from his account or whether it could and should have done more before processing them.

Monzo has provided Mr B's bank statements from 1 August 2022. I've reviewed them carefully to consider whether the scam transactions were in line with Mr B's normal account activity. Having done so, I'm satisfied that for the first four payments Monzo didn't need to do anything more than provide a new payee and generalised warning as it did each time Mr B created a new payee. The transactions were for a lower amount than previous transactions on the account. For example, on 5 and 6 January 2023 Mr B made two faster payments of £5,405 and £7,475 – one to an individual and the other to a company (£7,475). So, although Mr B created some new payees, I'm satisfied that the first four payments in the table above wouldn't have caused Monzo any particular concern and that the generalised scam warnings it provided went far enough.

I agree with the investigator though that by the time Mr B made the payment of £4,000 on 11 January 2023 Monzo ought reasonably to have done more to satisfy itself Mr B wasn't at risk of financial harm. By this stage, over the course of around forty minutes, Mr B had set up three new payees and sought to transfer nearly £10,000 from his account. There was also a pattern of spending common to investment scams with the value of the transactions rising. I'm satisfied that at this stage Monzo should have asked Mr B some questions around the purpose of the payment and who was helping him with the investment.

I consider that if Monzo had asked Mr B the kind of questions I think it should have Mr B would have questioned the level of trust he placed in O and not made further payments. I'm aware that at a later stage O told Mr B not to mention cryptocurrency to his bank but he wasn't coached to say the payment was for anything other than an investment. I consider Monzo should have asked Mr B about how he found out about the investment and whether

anyone was helping him with it. I see no reason why Mr B wouldn't have said that O was helping him, that they'd never met in person and had only been chatting for a short period of time. Monzo should have been able to identify common features of a romance/investment scam.

I've gone on to consider whether Mr B should share responsibility for his loss from the point at which I consider Monzo should have done more. On balance, I think he should and will explain why.

I appreciate that Mr B thought he'd found a long-term partner who wanted to build a future with him. But I consider he placed a huge amount of trust in someone he had never met and had only recently exchanged messages with. Mr B had spoken to O but had not had a video call and had no reason to believe that O was who he said he was. After reading the messages Mr B and O exchanged it's clear that Mr B followed O's instructions without raising concerns or questioning what he was doing.

I've not seen any evidence that Mr B completed any research of his own to check the legitimacy of what he was told. And I think the kind of returns Mr B was offered were too good to be true and ought to have led him to be more cautious.

Overall, whilst I'm sorry to hear about this scam and the impact it has had on Mr B, I can't fairly ask Monzo to refund him in full. Monzo should settle the claim as set out below.

My final decision

For the reasons stated, I require Monzo Bank Ltd to:

- Refund 50% of all scam payments from and including payment five in the table above.
- Pay interest on the above amount at the rate of 8% simple per year from the date of each transaction to the date of settlement.

If Monzo Bank Limited considers it is required by HM Revenue and Customs to take off income tax from the 8% simple interest award, it should tell Mr B how much it has taken off. It should also give Mr B a certificate showing this if he asks for one, so he can reclaim tax from HM Revenue and Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 10 November 2023.

Jay Hadfield
Ombudsman