

The complaint

Miss S complains that Monzo Bank Ltd hasn't refunded any of the money she lost when she fell victim to a scam.

What happened

In June 2023, Miss S received an unexpected request from Monzo to verify a card payment she hadn't made. Miss S declined this payment. She was then contacted by someone claiming to be from Monzo's fraud team.

Miss S explains that the caller knew her details including her address and date of birth. The caller told her the card payment she hadn't made was a sign that her account was at risk from fraudsters attempting to remove her money.

Miss S explains she was extremely worried by what she was told. She followed the instructions she was given, creating a new account with a financial firm into which she was directed to transfer funds. I'll refer to this firm as R.

She was told to make a sequence of payments, and these took place as follows:

| Payment number | Date | Time | Value | Remaining Balance |
|----------------|-----------|-------|------------------------|-------------------|
| 1 | 06-Jun-23 | 15:13 | £30 | £1,857.58 |
| 2 | 06-Jun-23 | 15:15 | £670 | £1,187.58 |
| 3 | 06-Jun-23 | 15:15 | £650 | £537.58 |
| 4 | 06-Jun-23 | 15:16 | £530 | £7.58 |
| | 06-Jun-23 | | Credit received £1,700 | |
| 5 | 06-Jun-23 | 15:26 | £890 | £817.58 |
| 6 | 06-Jun-23 | 15:29 | £810 | £7.58 |
| | 06-Jun-23 | | Credit received £1,600 | |
| 7 | 06-Jun-23 | 15:31 | £870 | £737.58 |
| 8 | 06-Jun-23 | 15:32 | £730 | £7.58 |

After payment four, the funds in Miss S's Monzo account had been exhausted. The caller asked her about any other bank accounts she held, and when she mentioned an account with bank B, the caller persuaded her this was also at risk. So Miss S moved funds from

bank B to Monzo, shown above as credits for £1,700 and £1,600.

She'd previously made transfers from B to Monzo, meaning her account with Monzo was an existing payee on her account with B. She was therefore able to make these transfers relatively quickly.

Having made the eight payments to R, which had drained her account balances with B and with Monzo, Miss S was then instructed to transfer the funds from R to a new account the caller told they'd created for her with Monzo.

She was told this would be a new account with Monzo which would keep her funds safe. However, unknown to Miss S at the time, the funds were in fact being sent to a different bank (albeit with a somewhat similar sort-code).

This new account was not held in her name. The money was lost at that point, with the scammer removing all funds that same day.

Miss S reported the matter to the various banks. Monzo didn't accept it was responsible for Miss S's losses through this scam. It said it had transferred money to an account in her name (the account with R). This had been confirmed by a confirmation of payee check when the new payee had added. It said Miss S needed to raise the matter with R.

However, R didn't accept responsibility for her losses either. Miss S therefore referred her complaints to this service.

Our Investigator looked into Miss S's complaints about Monzo and about R. She thought both were at fault in what had happened. The Investigator thought it was fair that Monzo and R should equally share responsibility for payments four to eight inclusive. In relation to Monzo, while the Investigator accepted that the destination account was in Miss S's own name, she thought that the risk of financial harm through a scam should have been identified by Monzo at the point of the fourth payment.

By the point of the fourth payment the Investigator commented that Miss S had sent four payments in very quick succession to a newly created payee, and essentially cleared the entire balance of her account. Monzo ought to have identified that this pattern of payments was consistent with a common type of scam (the so called "safe account" scam). It should have intervened before processing this payment. Had it done so, there was no reason to think that the scam wouldn't have been uncovered at this point and this and later payments prevented.

R accepted the Investigator's findings and has refunded Miss S half of the sum lost through payments four to eight.

Monzo didn't accept the Investigator's outcome. It said it had no reason to have intervened, because it could see the destination account belonged to Miss S. The loss had occurred from R and so Monzo thought R should bear the full responsibility for that loss.

Given this disagreement I have been asked to review everything afresh and reach a final decision on Miss S's complaint.

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.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

Neither party disputes that Miss S was the victim of a cruel scam. She was deceived into transferring a significant sum to an account controlled by a fraudster. Miss S has detailed the impact this has had on her.

Monzo disputes bearing any responsibility for the scam and resultant loss. It says that the transfers Miss S made were authorised payments to an account held in her own name. Monzo says that only the firm from which the subsequent payments were made to the account controlled by the scammer should be held responsible, not Monzo.

I've carefully considered the circumstances of this complaint, and Monzo's representations. In considering this matter I have also taken into account the role of other financial firms in the sequence of events.

As a starting point, Miss S authorised the payments from her Monzo account to R. Under the Payment Services Regulations 2017, Miss S is presumed liable for the ultimate loss in the first instance.

However, in some circumstances and as a matter of good industry practice at the time, I'd have expected Monzo to have intervened before it processed a payment instruction for its customer. That expectation applies even where the payment was being sent to an account held by the customer where I thought the bank ought reasonably to have identified that the payment was likely connected to a fraud or a scam and thus liable to result in financial harm to its customer.

There were a number of factors in this case that I consider ought to have caused Monzo to have had concerns that the instructions it was being given by Miss S were liable to result in financial harm through fraud or a scam.

Firstly the destination account had only been created shortly prior to the series of payments Miss S proceeded to make. While it was an account held in a name matching Miss S's own name, it was therefore a new payee.

I also consider it relevant that at the point of payment four, Miss S was asking Monzo to make a fourth payment to this new payee within the space of less than five minutes. That strikes me as relatively unusual, and without precedent in Miss S's prior account usage.

Lastly, I consider it relevant that this fourth payment request would have the effect of clearing almost the entire account balance. Looking at the account history provided by Monzo, there is little evidence to show Miss S regularly (or ever) had run the account balance down in this way.

Taken together, at the point of Miss S instructing the fourth payment, she'd created a new payee and within minutes drained her entire Monzo account balance through multiple transactions to that same new payee for varying sums. That has no precedent in Miss S's prior account usage. Rather I think that pattern bears the hallmarks of a safe account scam – a scam type all too common and which I am satisfied Monzo was aware of at the time of this scam.

Taking everything into consideration, I think that despite the beneficiary account being one held by Miss S herself, there was enough going on in this sequence of payments that by the

point of that fourth payment instruction Monzo ought reasonably to have been aware that this instruction was one likely connected to fraud or scam, and one likely to result in financial harm to Miss S.

Importantly, I consider this financial harm was reasonably within Monzo's contemplation at that point irrespective of the transfer being made via an account held by Miss S at R. This type of multi-stage fraud has become increasingly prevalent in recent years, and the payment instructions being given by Miss S fitted that pattern. I don't accept that Monzo could reasonably have been unaware of such multi-stage fraud at the relevant point in time.

I think Monzo ought to have had concerns at the point of the fourth payment instruction, and that those concerns would have been such that it ought to have intervened prior to processing the instruction, as a matter of good industry practice at the time.

Had Monzo intervened at this point, and contacted Miss S either through in-app chat or by phone, I consider it most likely that the scam would have been uncovered then and there. There is nothing to indicate that Miss S had been given a cover story to use, and I think that had Monzo asked her about what was happening she'd likely have told them this openly and honestly. And had that happened, it would be been realised that a scam was occurring and I consider Miss S would not have made any further payments. I've seen nothing that might lead me to believe otherwise.

Having also reviewed the role of R here (about which firm Miss S also brought a complaint), I consider it fair and reasonable in all the circumstances that Monzo and R should equally share the responsibility for part of the loss that occurred through this scam. This reflects what I consider a fair and reasonable share of the resultant loss from these payments, taking into account the extent and degree of fault on the part of both Monzo and R.

I can determine the apportionment of an overall award in this way under the Dispute Resolution Rules (the DISP Rules) at 3.6.3G which state *"Where a complainant makes complaints about more than one respondent in respect of connected circumstances, the Ombudsman may determine that the respondents must contribute towards the overall award in the proportion that the Ombudsman considers appropriate."*

I have set out above why I consider it fair and reasonable that Monzo has responsibility for the scam that occurred. Taking into account R's role, I consider it appropriate that both R and Monzo should contribute in equal proportion to the amount Miss S lost from payments four to eight inclusive.

In reaching this finding, I have taken into account what the law says about contributory negligence (as well as what's fair and reasonable in the circumstances of this complaint). I don't consider Miss S should share any liability for the resultant loss through contributory negligence. I am satisfied she was the innocent victim of a sophisticated deception designed to steal her money, and she was not responsible for what happened. Metro would reasonably have been aware of the specific risk of this type of scam. In contrast, Miss S was the innocent layperson, and I don't find her actions or beliefs at the time to be unreasonable in the circumstances at the time.

Given Miss S has been deprived of the use of the funds for the time she has, I also consider it fair and reasonable in the circumstances that Monzo should add interest to the sum I am awarding against it at the rate of 8% simple per year from the date of the payments until the date it settles Miss S's complaint.

My final decision

For the reasons given above, I uphold Miss S's complaint about Monzo Bank Ltd. To put matters right, I require Monzo Bank Ltd to pay Miss S:

- £1,915 - equating to 50% of total amount paid by Miss S from Monzo as a result of this scam from the fourth payment to the eighth payment inclusive. Monzo Bank Ltd should do so within 28 days of receiving notification of Miss S's acceptance of my final decision; plus,
- interest at the simple rate of 8% per year on the above amount (less any tax properly deductible) to be calculated from the date Miss S made these payments until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 2 December 2024.

Stephen Dickie
Ombudsman