

The complaint

Mr Y complains that Monzo Bank Ltd hasn't refunded any of the money he lost when he fell victim to an investment scam.

What happened

In mid-2022, Mr Y says he received an email that appeared to be from a friend. This discussed an investment in cryptocurrency, one which the friend had apparently invested in themselves. The investment was with a company I'll refer to as Company O.

Unknown to Mr Y at the time, this wasn't actually from his friend, but someone who had been able to hack into the friend's email account. Mr Y says he viewed a link which had a video of well-known celebrities supposedly endorsing Company O. Unfortunately, the video was fake.

He says he then carried out some basic checks, which reassured him Company O was legitimate. Mr Y contacted Company O and decided to go ahead with the investment. The person he was dealing with helped him create a cryptocurrency exchange account.

Mr Y sent a first payment from an account he held with another bank to the cryptocurrency exchange. He then used the funds to buy cryptocurrency, transferring as instructed to a destination he was told was a trading account held by Company O.

This initial, small investment appeared to be performing exceptionally well.

Mr Y decided to invest a larger sum. He explains that Company O encouraged him to open a new account with Monzo to facilitate the transfer of larger sums to the cryptocurrency exchange. Mr Y says that again, the person at Company O assisted him with the account opening process.

The initial payment Mr Y made from his new Monzo account was for the sum of £6,000. Again, these funds were sent to the cryptocurrency exchange before being used to purchase cryptocurrency. That cryptocurrency was then sent onwards to a wallet address supposedly belonging to the investment platform offered by Company O.

At first, this larger investment also appeared to be going very well. Mr Y proceeded to make further investments, each time following the same process as before — using his Monzo account to transfer these sums to the cryptocurrency exchange then to Company O.

In total, between 19 October 2022 and 14 December 2022, Mr Y had sent a total of £26,020 through his Monzo account.

Mr Y encountered problems when he tried to withdraw money. He was given excuses and didn't receive anything back. He began to realise he might have been the victim of a scam and reported the matter to Monzo. On 16 December 2022, the FCA had posted a warning about Company O, commenting that Company O was targeting people in the UK.

Monzo looked into the matter. But it didn't refund Mr Y for the money he'd transferred

through his Monzo account. It said the transfers he'd made were to a cryptocurrency exchange account held in his own name. His funds had therefore been lost at a later point, and Monzo wasn't liable.

Our Investigator looked into Mr Y's complaint about Monzo. She thought that while the intermediate cryptocurrency exchange account had been in Mr Y's own name, and the Monzo account was newly created, Monzo ought nevertheless to have had concerns about the size and destination of the initial £6,000 payment made by Mr Y to the cryptocurrency exchange. Monzo should have intervened before processing this payment. Had it done so, she thought the scam would have been uncovered at this point, preventing this payment and the later payments from being made. Mr Y should share responsibility equally with Monzo, and Monzo so should refund 50%.

Monzo didn't accept the Investigator's outcome. It reiterated that the point of loss was in fact the cryptocurrency exchange, and so it shouldn't bear any responsibility for that loss.

Given this disagreement I have been asked to review everything afresh and reach a final decision on Mr Y'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 Mr Y was the victim of a cruel scam. He was deceived into making multiple transfers to purchase cryptocurrency which was then lost by sending it on to a fraudulent trading platform. Mr Y has detailed the impact this has had on him. Based on the evidence I have seen, I am satisfied that Mr Y ultimately lost all of the money he paid from his Monzo account.

Monzo disputes that it should bear any responsibility for the scam and resultant loss. It says that the transfers Mr Y made were authorised payments to an account held in his own name with the cryptocurrency exchange. Monzo says the losses Mr Y sustained occurred at the point the purchased cryptocurrency was sent onwards to the trading platform. As that transfer took place from the exchange, that firm 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 in so far as these are known.

As the starting point, Mr Y authorised the payments from his Monzo account to the cryptocurrency exchange. Under the Payment Services Regulations 2017, Mr Y 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 would apply even where the payment was being sent to an account held by the customer — were I to find that the bank ought reasonably to have identified that the payment instruction carried a greater risk of being 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 Mr Y's initial £6,000 payment carried a higher than usual risk of financial harm through fraud or a scam.

Firstly, this was the first payment made to a newly created payee — Mr Y hadn't previously sent any funds to this destination from Monzo. Monzo's records show that the beneficiary account didn't support confirmation of payee. So aside from what Mr Y had entered while making the payment instruction, Monzo didn't have confirmation the payment was actually going to a destination account held in Mr Y's own name. It did not know this to be a fact.

While Monzo had no prior history on the account to compare this transaction against (given it had only been opened that same day), Monzo did know what Mr Y had stated the purpose of his new account was, having asked him this question at the account opening stage.

In response to that question, Mr Y had given the reason "Occasional Spending". On the face of it, this stated purpose wouldn't have appeared consistent with the proposed payment of £6,000 to a cryptocurrency exchange. It seems to me this was both larger than might otherwise be assumed from "Occasional Spending" for most customers and being paid to a destination not typically associated with that purpose.

Everything taken into account, I find this payment instruction ought to have prompted Monzo to take further steps prior to processing the transaction.

I've therefore considered the steps Monzo took in relation to this payment instruction, and considered if these steps were in line with what I'd expect based on good industry practice at the time.

It appears Monzo displayed a warning about the risk of scams — although Mr Y does not recall seeing this. Having reviewed the warning message Monzo says was shown, I note that it was not one specific to investments or cryptocurrency but a generic warning about scams. I think given the circumstances here, including that this was a newly created account making a relatively large payment to a new payee without the benefit of a confirmation of payee result, and for an apparent purpose and of a size not obviously consistent with the stated purpose of the account, it is reasonable for me to find that Monzo should have done more than it did.

In particular, and as a matter of good industry practice at the time, I think Monzo ought to have asked Mr Y at least some basic questions about the purpose of this payment — in order to satisfy itself that this payment was not connected to fraud or scam and not likely to result in financial harm to Mr Y.

Had it done so, I am satisfied Monzo and Mr Y would have uncovered that he was likely being defrauded. There's nothing I've seen to suggest that Mr Y would have been other than honest with Monzo in response to its questions — and no indication that he might have been provided with a false cover story to use (as some victims are). I think that had Monzo simply asked for information about how Mr Y had found out about the investment, the fact it had originated in a celebrity endorsement for cryptocurrency would have immediately led Monzo to explain this was likely a scam. The fake advert was already one well known to banks at the relevant time.

Even if not, further online enquiries (either by Mr Y or Monzo) would have led to the conclusion that Company O was likely not operating legitimately. And had Monzo learned of the returns Mr Y was told he could expect, the bank would undoubtedly have concluded immediately that this was simply too good to be true for a legitimate financial investment.

In these circumstances, the payment would not have been made, nor would Mr Y have made any of the further payments he did. I find the loss that occurred would thus have been avoided.

In considering the fair and reasonable outcome to this complaint, I've taken into account Monzo's comments about the point of loss and the involvement of other financial firms in the payment journey. But that doesn't change my finding that Monzo should still have recognised Mr Y might have been at risk of financial harm from fraud when he instructed it to make this first payment.

And I think in those circumstances Monzo should have made further enquiries about the initial £6,000 payment before processing it. As I've set out above, if it had done that, I am satisfied it would have prevented the losses Mr Y suffered. The fact that the money used to fund the scam came from elsewhere (Mr Y's other bank account), and that it wasn't lost at the point it was transferred to Mr Y's own account at the cryptocurrency exchange does not alter that fact. I think Monzo can fairly be held responsible for Mr Y's loss in such circumstances. I don't think there is any point of law or principle that says that a complaint should only be considered against either the firm that is the origin of the funds or the point of loss.

I've also taken into account that Mr Y has only complained against Monzo. I accept that it's *possible* that other firms might also have missed the opportunity to intervene or failed to act fairly and reasonably in some other way, and Mr Y could instead (or in addition) have sought to complain against those firms. But Mr Y has not chosen to do that and ultimately, I cannot compel him to. In those circumstances, I can only make an award against Monzo.

I'm also not persuaded it would be fair to apply a reduction to Mr Y's compensation in circumstances where: the consumer has only complained about one respondent from which they are entitled to recover their losses in full; has not complained against the other firm (and so is unlikely to recover any amounts apportioned to that firm); and where it is appropriate to hold a business such as Monzo responsible (that could have prevented the loss and is responsible for failing to do so). That isn't, to my mind, contrary to the legal position, but does reflect the facts of the case and my view of the fair and reasonable position.

Ultimately, I must consider the complaint that has been referred to me (not those which haven't been or couldn't be referred to me) and for the reasons I have set out above, I am satisfied that it would be fair to hold Monzo responsible for Mr Y's loss from the first payment of £6,000 made on 19 October 2022 (subject to a deduction for Mr Y's own contribution which I will consider below).

Should Mr Y bear any responsibility for his losses?

With the above being said, I've gone on to consider Mr Y's complaint in light of what the law says about contributory negligence, as well as what I find to be fair and reasonable in the circumstances of this complaint.

Mr Y had first heard about this investment through an email, albeit one that he says had originated from a friend. It appears the returns being offered were exceptional, no doubt part of the enticement to invest. With little to support such promises, I think it would be reasonable to have a degree of caution about what was being said – this was something that really appeared too good to be true.

It seems to me that the main factor Mr Y relied on was that the email introducing the investment appeared to be from his friend. Of course, Mr Y didn't realise at the time that his friend's email account had been compromised. But had Mr Y contacted his friend in person

to confirm the details or the profits they had supposedly earned, this would have instantly uncovered the deception that had taken place.

Similarly, there was very little online to indicate this was a genuine company. It appears at the relevant time Mr Y began to engage with Company O it only had a handful of online reviews. Again, there was little to back up the exceptional returns on offer.

In all, I find that the supposed investment returns were too good to be true. And I find there was very little evidence to suggest this might be a legitimate investment opportunity.

I've noted everything Mr Y has said, including his circumstances at the time (which I will not detail here). All taken into account, I think it is fair that Mr Y shares responsibility for the resultant losses equally with Monzo. Based on the facts as I see them, I think that the fair deduction should be limited to 50%. That reflects what I consider to be a fair and reasonable measure of the balance of responsibility between the parties to this complaint.

Given Mr Y has been deprived of the use of the funds for the time he has, I also consider it fair and reasonable in the circumstances that Monzo should add interest to the amount it refunds at the rate of 8% simple per year from the date of the payments until the date it settles Mr Y's complaint.

My final decision

For the reasons given above, I uphold Mr Y's complaint about Monzo Bank Ltd.

To put matters right, I require Monzo Bank Ltd to pay Mr Y the following within 28 days of receiving notification of Mr Y's acceptance of my final decision:

- 50% of the total value of the payments Mr Y made from his account with Monzo as part of this scam. For the avoidance of doubt, this share equates to the sum of £13,010; plus,
- Add interest at the simple rate of 8% per year on the above amount (less any tax properly deductible) to be calculated from the date Mr Y made these payments until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 19 February 2025.

Stephen Dickie
Ombudsman