

The complaint

Ms R complains that Monzo Bank Ltd (Monzo) wouldn't refund money she lost in an investment scam.

What happened

What Ms R says:

In 2021, Ms R was looking for ways to improve her financial security and, in the longer term, to be able to leave money to her grown up children. She saw a pop-up advertisement on social media which said people could invest as little as £200 and still make returns. She clicked on the advert and found the service was provided by an investment firm (which I will call A).

Ms R explored A's website and it appeared genuine and professional. She was contacted by an advisor who seemed charismatic and reassuring. He said he had worked in the finance industry for more than 20 years. He built a rapport with Ms R.

The advisor downloaded software onto her computer so he could remotely access her crypto wallet, and then move funds to A to help her trade. He advised her to open bank accounts (with bank X and later, with Monzo), together with the crypto wallet accounts. Ms R authorised him to do that.

A first, small deposit was made by payment from her bank account with another bank (which I will call Z) to Ms R's crypto wallet. She then saw the credit appear in her account at investment firm A, and saw it made good returns. The adviser could access Ms R's account with A and traded with her money. She then went ahead and made further deposits.

The advisor then opened a 'loan facility' within A's portal for £40,000 – without her authority – to invest this sum. The adviser said Ms R had to pay off the loans and otherwise, debt collectors would visit her.

Ms R didn't want to be in debt and took out loans totalling £50,000 with four third party loan companies to pay off the loan with A. The adviser controlled her computer and applied for the loans on her behalf. The adviser said the loans were then paid off the loans with A, but then said she was still £40,000 in debt – he said because of the accumulated interest and because of the successful trades he had placed. The adviser put more pressure on Ms R to pay the further debt off.

The proceeds of the four loans (£50,000) were paid into her account with bank Z, and payments were then made from her account with bank Z to her account with bank X. The funds were then transferred from bank X to Ms R's crypto wallet with a payment service provider. The advisor (who had control of Ms R's computer) then transferred the funds to investment firm A.

Ms R allowed the adviser to access her computer to apply for a further loan with bank Z – in July 2021, but this was declined. Ms R later took out a secured mortgage with another firm

for £39,853 (under guidance or control of the advisor) and this was drawn on 10 December 2021. It was paid into Ms R's account with bank Z.

Then, in December 2021, the adviser told Ms R to open an account with Monzo - he said it was easier to make payments from that bank. Under his guidance, Ms R opened her account with Monzo. From bank Z, the loan funds were sent to Ms R's account with Monzo, and payments were made to Ms R's crypto wallet account with a payment service provider. The funds were then transferred to the investment firm A – by the adviser.

There were three banks involved in this scam – bank Z, bank X and Monzo and I set out the receipts and payments for all three for clarity:

There were two periods in the scam:

Period one:

This didn't involve Monzo, but a summary that took place involving bank Z is:

Total loans received into bank Z – July 2021	(£50,000)
Payments from bank Z to Ms R's account with Bank X – July 2021	£50,020
Payments from bank Z direct to Ms R's account with payment service provider – crypto wallet	£2,242.93
Total payments	£52,262.93

(continued)

Period two:

This involved Monzo:

Date	Payment type	Beneficiary	Amount
18 December 2021	Faster payment from bank Z	Ms R's account – Monzo	(£10,000)
18 December 2021	Faster payment from bank Z	Ms R's account – Monzo	(£5,000)
18 December 2021	Faster payment from	Ms R's account – Monzo	(£100)

	bank Z		
18 December 2021	Faster payment from bank Z	Ms R's account – Monzo	(£10,000)
18 December 2021	Faster payment from bank Z	Ms R's account – Monzo	(£10,000)
18 December 2021	Faster payment from bank Z	Ms R's account – Monzo	(£3,000)
18 December 2022	Faster payment from Monzo	Ms R's account – payment service provider – crypto wallet	£10,000
19 December 2022	Faster payment from Monzo	Ms R's account payment service provider – crypto wallet	£10,000
20 December 2022	Faster payment from Monzo	Ms R's account – payment service provider – crypto wallet	£9,999
20 December 2022	Faster payment from Monzo	Ms R's account – payment service provider – crypto wallet	£8,100
Total			£38,099

After the amounts were sent to A, Ms R asked for funds to be withdrawn from A, but that wasn't possible. Contact with the adviser stopped. Ms R realised she had been the victim of a scam. Ms R contacted Monzo on 10 January 2023 to advise them of the scam.

Ms R says the scam has destroyed her life. She has lost the money she wanted to invest for her children, who she feels no longer trust her. She suffers from sleepless nights and is emotionally distressed. She has taken out loans totalling £88,000 with six lenders and is struggling to make the payments. One loan is secured in her house. As a result, she is having to work longer hours to make ends meet.

What Monzo said:

Monzo said they weren't liable to refund the money. This was because:

- Ms R authorised the payments.
- The payments were to Ms R's own account – her crypto wallet, and it was from there that the funds were transferred to A. So – she should contact the provider of the wallet.
- Monzo provided a warning to Ms R when she made the first payment of £10,000. This said the payment could be a scam. But Ms R clicked that she had read the

information and confirmed she wanted to go ahead. She didn't go for the option to 'stop and get advice.'

- They said they provided information about scams on their website.
- Ms R only communicated with the scammer virtually and didn't meet the adviser.
- She didn't carry out sufficient due diligence – e.g. checking Companies House or the Financial Conduct Authority (FCA) website.
- Ms R didn't question the loan taken out with A, why it led to an increase in returns, or why she had to take-out third-party loans.

Our investigation so far:

Ms R brought her complaint to us. Our investigator said Monzo should've intervened in the first payment but didn't. He didn't think the online scam warning presented to Ms R at that stage was sufficient. If Monzo had stopped the first payment and asked questions, the scam would've likely been uncovered and the subsequent payments not made.

But he said that bank Z should share some of Ms R's losses - as they were the bank that initially sent the funds to Monzo. He said Monzo should be liable for 50% of losses - £19,049.50, with bank Z being liable for the other 50%.

But he also said that Ms R could've done more to protect herself. He said she didn't carry out enough due diligence – there were many reports online about A at the time. And A wasn't regulated by the FCA either. She had taken advice from an unknown party whose details originated from the internet; she co-operated in taking out six loans to pay back loans the adviser had apparently set up on A's portal – this wasn't a responsible thing to do.

So – he said Ms R should bear 50% of those losses, so Monzo should pay £9,524.75.

During our investigation, bank X agreed to meet 80% of the losses due to payments made by that firm – they refunded £40,016 of the payments made from bank X – which totalled £50,000. Ms R accepted the findings, but Monzo didn't – and asked that an ombudsman look at the complaint.

I made a provisional decision which said:

I'm sorry to hear that Ms R has lost money in a cruel scam. It's not in question that she authorised and consented to the payments in this case. So although Ms R didn't intend for the money to go to a scammer, she is presumed to be liable for the loss in the first instance.

So, in broad terms, the starting position at law is that a bank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. And I have taken that into account when deciding what is fair and reasonable in this case.

But that is not the end of the story. Taking into account the law, regulators 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 make 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.

The Lending Standards Board Contingent Reimbursement Model Code (CRM Code) doesn't apply in this case. That is because it applies to faster payments made to another UK beneficiary – and in this case, the payments were made to Ms R's own account with the payment service provider – her crypto wallet.

I need to decide whether Monzo acted fairly and reasonably in its dealings with Ms R when she made the payments, or whether it should have done more than it did. I have considered the position carefully.

The first consideration here is: If the payments were of a sufficient size and were out of character with how Ms R normally used her account – then we would expect Monzo to have intervened and contacted her about them. I looked at Ms R's account, and it's fair to say that the payment was unusual.

Ms R only opened the account early in December 2021, and there was no activity (and a nil balance) by the time the first payment of £10,000 was made on 18 December 2021. And – that payment was preceded by two credits of £10,000 and £5,000 on the same day. So – the payment of £10,000 was sufficiently unusual to expect Monzo to have stepped in and asked questions about it.

Monzo argue that they sent a warning to Ms R when the first payment was made. It said, *“could someone be trying to scam you?”* Ms R (or the advisor – as Ms R had given him access to her computer) clicked to say, *“I've read all the info here and I want to continue with the payment”*, and then *“Continue payment”*.

But – given that this was the first payment activity on a new account, I don't think that was enough here. I'm also not persuaded that the fact the payments were going to Ms R's own account and so appeared to be going somewhere within her control should have satisfied Monzo that she wasn't at risk of harm. This is because by January 2019, firms like Monzo had, or ought to have had, a good enough understanding of how these scams work – including that a customer often moves money to an account in their own name before moving it on again to the scammer – to have been able to identify the risk of harm from fraud.

So, I think Monzo should reasonably have held the payment and called Ms R about it – an asked open questions such as:

- Why are you making the payment?
- Who to?
- For what purpose?
- Where did the money come from that you're investing?
- How did you hear about the investment?
- What do you know about bitcoin investing?
- Have you made bitcoin investments before?
- How were you given the bank account details where the money was to be paid to?
- Have you given control on your devices to anyone else?

If they had, it's reasonable to assume that Ms R would've revealed that the advisor had been found on the internet, that she had given control of her computer to him, that he was making the payments (or guiding her), that she had borrowed £88,000 to fund the investments, that she was inexperienced, and had done little research. I think it's likely the scam would've been uncovered and the payment (and the next three payments) not made.

I also noted that on 18 December 2021, after the first payment - Ms R (or her adviser - as Ms R had given him access to her computer) chatted online to Monzo and asked that her payment limit be increased to £28,000 – so she could send more money to the payment platform. I noted that this was declined and at that stage, Monzo's team expressed concerns about such large payments being made from a new account and funded by immediate transfers from another account. This preceded the next three payments – and I consider there was enough going on here to expect the other payments to also have been stopped.

Therefore, in the first instance, I think it's reasonable to say that Monzo should be liable for the payments totalling £38,099.

Our investigator said that bank Z should share half of Ms R's losses, and this is subject to a separate complaint which our service has investigated. And the provisional decision I've issued on that complaint says that isn't a fair and reasonable thing to ask of bank Z. So – this provisional decision says Monzo should be initially liable for all of Ms R's losses as regards the payments made from her Monzo account.

Contributory Negligence:

But that's not the end of the story here. I also considered whether Ms R could've done more to protect herself and whether she should therefore reasonably share some of her losses. And I think she should I say that as:

- Ms R was an inexperienced investor in bitcoin and did little research into the investment. She said she'd heard about bitcoin a few years ago and that it seemed a good way to make money. But – for Ms R to invest £38,000 from her Monzo account (and much more through her other two bank accounts) – it's reasonable to say she should've done more research - such as taking third party independent advice.
- She said she saw reviews of A on Trustpilot and they were positive. But I've seen there were also articles online at the time that warned about A – that it was a scam.
- She could've looked at the FCA websites – she would've seen that the FCA published a warning about A in September 2021.
- She came to trust the adviser who was a contact found through the internet.
- She gave control over her accounts by giving the adviser access to her computer – this wasn't a sensible thing to do at all. It meant that the adviser controlled her interactions with her bank, her bank account funds (although this isn't completely clear from the evidence I've seen), her crypto wallet and applied for loans from six finance providers in her name.
- The story given to her by the adviser about creating loans in A's platform wasn't credible, even to someone without any financial experience, even accepting that she

was pressurised by the adviser.

- Ms R ignored the in-app warning from Monzo on the first payment on 18 December 2021.

For these reasons, I agree that Ms R should bear responsibility for 50% of her losses here.

Recovery

We expect firms to quickly attempt to recover funds from recipient banks when a scam takes place. I looked at whether Monzo took the necessary steps in contacting the bank that received the funds – in an effort to recover the money. Monzo showed us they contacted the recipient bank on 28 February 2023 – and no funds then remained to be repaid. Ms R had contacted them on 10 January 2023. So – Monzo didn't act quickly here.

But in any case, given that the scam took place in 2021, and Ms R complained to Monzo in January 2023 – this wasn't a surprise. As normally in such scams, funds are removed from the recipient bank immediately. So – I don't think Monzo could've done any more here.

My provisional decision is that Monzo should refund £19,049.95, plus interest at 8% per annum simple from the date of payments to the date of settlement.

Responses to the provisional decision:

Monzo made no comments, but Ms R did (through her representatives). She said:

- I treated the matter as two separate scams, whereas the scam started in June 2021 and continued through to December 2021. And throughout, Ms R was under the spell of the scammers – even though there was a break in payments.
- The FCA's warning was issued in December 2021 - it wasn't there when Ms R did her research in June 2021. She doesn't think it's reasonable to do more research after she did it initially.
- There was little adverse comment in the investment company, and Ms R recalls Trustpilot had 89% positive reviews.
- Ms R believed she was dealing with a genuine and trusted advisor.
- The FCA's research suggests that 47% of investors would not see a request to use their device as a red flag.
- The in-app warning from Monzo was ineffective and poorly targeted – as it related to impersonation scams.
- Ms R was under immense pressure to take out the loans.
- Therefore, the deduction of 50% for contributory negligence isn't fair and Ms R should be refunded 100% of her losses.

I now need to consider these points and make 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.

I noted that our investigator recommended a deduction of 50% for contributory negligence and at that stage, Ms R's representatives accepted the outcome.

Nevertheless, I've considered Ms R's complaint again and the points made by her representatives. But on balance, I haven't changed my view and final decision.

Treatment as separate scams: I didn't intend for this to imply there were separate scams, I was trying to show, for clarity, the phasing of the payments as between the three banks involved. I accept that the overall scam ran for the whole period – from June 2021 to December 2021.

FCA warning: this was in fact issued on 6 September 2021, which was prior to the Monzo payments. I revisited the online and Trustpilot reviews again, and I agree there are some positive ones, but also a number of negative ones – which say the investment company was a scam. But I'm persuaded that there were enough negative warnings for Ms R to question what was going on.

I've thought about whether it's fair to expect Ms R to have done more research during the period of the scam, and I think it's reasonable that she should have. The scam lasted six months, during which Ms R made many investments, was told she had a debt with the investment company which needed to be repaid and borrowed approximately £90,000. So, I think that in the circumstances, it's reasonable that she should've stepped back and questioned what was going on. For example, she could've asked for third party advice from a qualified and registered advisor, as well as doing more online research.

Trusted advisor: I've no doubt that Ms R believed she was dealing with a genuine and trusted advisor – and was under pressure to take out the loans. But given the extent and nature of the scam (the extended time period, the apparent debt to the investment company – and the implausible reason for the debt being created), I'm still of the opinion that that doesn't mean Ms R shouldn't have questioned what was going on.

The FCA's research - I considered this and am aware of this research. But in the circumstances of this scam, it doesn't change my view – especially as in this case, the scammer used the access to apply for loans in Ms R's name – that, to me, seems well beyond the scammer (for example) using the access to make payments from the crypto wallet to the investment firm.

In-app warning from Monzo was ineffective and poorly targeted – I agree the warning wasn't a good one, and on reflection, in this case, I accept it's not a reason to argue Ms R was negligent because she ignored that warning.

Putting things right

Therefore, on balance, and for the reasons I've set out, my final decision is unchanged from the provisional decision, and Monzo should refund £19,049.95, plus interest at 8% per annum simple from the date of payments to the date of settlement.

My final decision

I uphold this complaint. Monzo Bank Ltd must:

- Refund to Ms R £19,049.95 plus interest at 8% per annum simple from the date of the payments to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms R to accept or reject my decision before 24 November 2023.

Martin Lord
Ombudsman