

The complaint

Ms D complains Monzo Bank Ltd didn't do enough to protect her when she was the victim of a fraud.

What happened

Ms D has a current account with Monzo which she opened in 2021. She applied for a business account in July 2022. Monzo considered her application and said that she wasn't eligible at that time.

Ms D says she was contacted on social media by a third party in 2023 who claimed to be from the same country she came from, so she accepted their request. Ms D says the third party asked her if she knew about cryptocurrency and said she was a foreign exchange expert and that there were trading opportunities. Ms D says she sent a payment of £1,000 on 24 February 2023 having been told she could make £17,000 from this. Ms D says two other individuals subsequently asked her if she was interested in investing in cryptocurrency. The first said she could double her money, and that she could "potentially earn \$1 million" if she invested £2,000. Ms D says she made several payments.

Ms D says she made a fifth payment of £4,256.35 on 26 February 2023 which Monzo blocked. Ms D says other payments she tried to make also kept bouncing back. She complained to Monzo about her payments bouncing back.

Monzo looked into Ms D's complaint and said that it looked like she was using her account as a business account and that if she didn't stop doing so then her account might be closed. Monzo allowed Ms D's fifth payment to go through at this stage.

Ms D subsequently contacted Monzo saying that she'd lost her card and that there had been unauthorised payments on her account – payments for cryptocurrency. Monzo asked for more details but received no response.

Ms D then complained with the help of a representative saying that the payments Ms D had disputed were in fact payments she'd made having fallen victim to an investment scam. Monzo investigated what had happened and told Ms D's representative that it wouldn't be able to refund her payments or raise a chargeback as she'd approved them. So, she wouldn't be getting any money back.

Ms D's representative said that Monzo should have intervened as the activity on her account was unusual and that it owed her a duty of care. Mrs T's representative said she wouldn't have fallen victim to the scam had Monzo done so.

Monzo disagreed saying that all correct processes had been followed so its decision not to refund the payments stood. Ms D's representative complained to us.

One of our investigators looked into Ms D's complaint and said that they thought Monzo should have intervened as they thought Ms D's payments were unusual when compared to the normal usage of the account. Had Monzo intervened, our investigator thought that the

scam would have been exposed and Ms D wouldn't have made the fifth payment meaning that Monzo missed an opportunity to prevent a loss to Ms D. But they also thought that Ms D should share some responsibility for what had happened. So, they recommended that a 50% reduction be applied to the refund. Our investigator recommended Monzo refunding the £4,256.36 payment Ms D made on 26 February 2023 minus a 50% reduction plus an additional 8% interest from the date of payment until the date of settlement.

Ms D's representative accepted our investigator's recommendations. Monzo didn't accept them. Monzo said that none of the payments had been identified as unusual by its systems, and that these struck a balance between protecting customers from fraud and allowing legitimate payments. In addition, Monzo said that it didn't agree that it has a duty of care where a customer doesn't dispute the fact that they made a payment and they've acted in accordance with a customer's payment instructions. Ms D's complaint was, as a result, referred to an ombudsman for decision and was passed on to me.

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 this case, I'm satisfied that Ms D made four successful payments to cryptocurrency exchanges on 24 and 25 February 2023 – of £1,000, £335.36, £1,006.07 and £1,257.59. In addition, I'm satisfied that she attempted to make a number of other payments that didn't go through. Those payments appear to have not gone through because Monzo had concerns about the way Ms D was managing her account – which had nothing to do with the cryptocurrency payments she was making – and so had blocked her account. Monzo ultimately let Ms D know that it was concerned that she was using her account as a business account and that if she continued to do so it might need to review their relationship. I'm satisfied that Monzo noted Ms D had been making payments to various cryptocurrency exchanges during this review, but concluded that these payments were normal activity and not a cause for concern. I'll come back to this in a moment. I'm satisfied that Ms D's payment of £4,256.35 was allowed to go ahead on that basis.

Had Monzo not been reviewing Ms D's account at the time she was attempting to make payments to cryptocurrency exchanges, and in particular the payment of £4,256.35, I don't think Monzo would necessarily have had reason to believe that the fifth payment was unusual. Monzo was, however, reviewing Ms D's account and it was also speaking to her via chat. In the circumstances, given that it was already interacting with Ms D, and this was a payment for over £3,000 after January 2023, I would have expected Monzo to have provided Ms D with a tailored written warning relevant to cryptocurrency investment scams. I say that because we'd expect firms to have recognised that cryptocurrency related transactions carry an elevated risk of the likelihood of the transaction being related to a fraud or scam by then. That's because by then many leading firms had appreciated this risk and placed blocks or restrictions on cryptocurrency related transactions, and there had been widespread coverage in the media about the increase in losses to cryptocurrency scams. More importantly, in this case, I think a tailored written warning would have made a difference. In short, for the reasons I've just given, I agree with our investigator that Monzo could and should fairly and reasonably have intervened when Ms D attempted to make the fifth payment. Had it done so, I'm satisfied that Ms D wouldn't have gone ahead with any further payments. In other words, I'm satisfied that Monzo missed an opportunity to prevent further loss to Ms D.

Putting things right

Ms D's representatives have accepted that our investigator was right to make a 50%

deduction for contributory negligence. I think that was the right thing to do. So, I'm going to require Monzo to refund the £4,256.36 payment Ms D made on 26 February 2023 minus a 50% reduction plus an additional 8% interest from the date of payment until the date of settlement.

My final decision

My final decision is that I require Monzo Bank Ltd refund the £4,256.36 payment Ms D made minus a 50% reduction plus an additional 8% interest from 26 February 2023 until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 5 January 2024.

Nicolas Atkinson
Ombudsman