

The complaint

Mr J complains that Monzo Bank Ltd (“Monzo”) have failed to refund £19,586.82 he lost to a cryptocurrency investment scam in April 2023.

What happened

The details of this complaint are well known to both parties, so I won’t repeat everything again here. In brief summary, Mr J fell victim to an investment scam after he was contacted by a fraudulent broker (“D”) on social media with an investment opportunity. He was encouraged to invest and made a series of payments to crypto wallets he’d opened, using his Monzo debit card, between 11-15 April 2023 totalling over £19,000.

Mr J realised he’d been scammed by D when he kept on being asked for money to upgrade his account in order to withdraw his funds. He reported the fraud to Monzo, but it refused to provide a refund as it said Mr J had authorised the payments and had not carried out sufficient due diligence into the investment. Unhappy with this, Mr J referred the matter to our service.

Our investigator upheld the complaint. She thought Monzo ought to have detected a heightened risk of financial harm when Mr J made the fourth payment on 11 April 2023, and said that it should have provided a written scam warning highlighting the key features of investment scams. Had it done so, she thought any further loss would have likely been prevented, so she recommended that Monzo refund any loss incurred to the scam from that point onwards, albeit with a 50% deduction in recognition of Mr J’s own contribution to his loss. Mr J accepted the investigator’s proposals, but Monzo disagreed as it didn’t think any of the payment activity would have been unusual enough to warrant any form of intervention. As it didn’t agree, the matter has been escalated to me to determine.

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.

Having done so, I agree with the conclusions reached by the investigator for the following reasons:

- It isn’t in dispute that Mr J has fallen victim to a scam here, not that he authorised the disputed payments he made to the cryptocurrency exchange platforms using his Monzo debit card (where his funds were subsequently transferred on to the scammers from those platforms). The payments were requested by him using his legitimate security credentials provided by Monzo, and the starting position is that banks ought to follow the instructions given by their customers in order for legitimate payments to be made as instructed.
- However, I’ve considered whether Monzo should have done more to prevent Mr J from falling victim to the scam, as there are some situations in which a bank should reasonably have had a closer look at the circumstances surrounding a particular transfer.

For example, if it was particularly suspect or out of character.

- Monzo's December 2021 terms and conditions gave it rights (but not obligations) to block payments where it suspects criminal activity on the account. So, the starting position at law was that Monzo was under an implied duty at law to make payments promptly, but it had a contractual right not to make payments where it suspected criminal activity.
- It could therefore block payments, or make enquiries, where it suspected criminal activity, but it was not under a contractual duty to do either of those things. It is not clear from this set of terms and conditions whether suspecting a payment may relate to fraud is encompassed within Monzo's definition of criminal activity. But in any event, whilst the current account terms did not oblige Monzo to make fraud checks, I do not consider any of these things (including the implied basic legal duty to make payments promptly) precluded Monzo from making fraud checks before making a payment. And, whilst Monzo was not required or obliged under the contract to make checks, I am satisfied that, taking into account longstanding regulatory expectations and requirements and what I consider to have been good practice at the time, it should fairly and reasonably have been on the look-out for the possibility of fraud and have taken additional steps, or made additional checks, before processing payments in some circumstances – as in practice all banks, including Monzo, do.
- Having considered the first three disputed payments Mr J made on 11 April 2023, I don't think there was anything particularly unusual or suspicious that ought to have concerned Monzo at that point. However, I think it ought to have been concerned when Mr J then made the *fourth* payment of £1,000 that day. I say this because Monzo would have seen that four separate, low value payments had been made to crypto wallets in Mr J's name in quick succession, where the cumulative value had then reached £3,000 in one day. Such irregular and escalating payment activity can often be indicative of fraud, and I think it should've flagged to Monzo as indicating a heightened risk of financial harm.
- Monzo would've been aware by April 2023 of the significant increase in multi-stage fraud in investment scams involving cryptocurrency. So, at the very least, by the time Mr J came to make the fourth payment on 11 April 2023, I think Monzo ought reasonably to have provided a written warning highlighting the key features of cryptocurrency investment scams – i.e. being contacted through social media, being promised unrealistic returns, sending money to a crypto wallet before moving it on again to a 'trading account' etc. If it had provided an impactful warning like this, I have no reason to doubt Mr J would've acted upon it, particularly when the scam he fell victim to bore many hallmarks of a common cryptocurrency investment scam (e.g. he was approached about an investment through social media and had been promised unrealistic returns of 100% within a year). So, on balance, I think such a warning would have likely prevented any further loss, as Mr J could've recognised that he was falling victim to a scam.
- Monzo has argued that it cannot be held liable for reimbursing the payments as they were made to Mr J's own accounts before being transferred on to the scammer. However, as I've set out above, the potential for multi-stage scams involving cryptocurrency wallets and other bank accounts ought to have been well known to Monzo by April 2023 and, as a matter of good practice, it should fairly and reasonably have been on the look-out for payments presenting an additional scam risk, including those involving multi-stage scams. As a result, I'm satisfied it is fair to hold Monzo responsible for Mr J's loss in these circumstances.
- In terms of whether Mr J should bear some responsibility by way of contributory negligence, our investigator recommended that he share responsibility jointly, meaning that his compensation should be reduced by 50%. Mr J accepted this, so given it's not in

dispute, I don't consider it necessary to examine this point in any further detail. However, for the avoidance of doubt, I'm also satisfied that a 50% deduction is fair and reasonable in all the circumstances of this case, when taking account of Mr J's lack of research and failure to question unrealistic returns.

- I note that there were also delays in Monzo responding to Mr J's fraud claim, for which it offered £25 compensation. I appreciate this would have been frustrating for Mr J, at a time that would've already been very stressful after learning he'd been scammed. But overall, I'm satisfied the compensation offered by Monzo for the delay is fair and reasonable in all the circumstances.

My final decision

For the reasons given above, I uphold this complaint and direct Monzo Bank Ltd to:

- Refund 50% of the money Mr J lost to the scam from the fourth payment made on 11 April 2023 onwards.
- Pay 8% simple interest per year on this amount from the date of loss until the date of settlement.
- Pay £25 compensation (if it has not done so already) for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 30 April 2024.

Jack Ferris
Ombudsman