

The complaint

Mrs S complains that Monzo Bank Ltd (Monzo) won't refund money she lost in an investment scam.

What happened

What Mrs S says:

Mrs S opened a new account with Monzo in September 2022. She became interested in investing in cryptocurrency and noticed a trader was advertising on social media. He contacted her and persuaded her to invest in cryptocurrency. The scammer then asked her to open a crypto wallet account so she could buy cryptocurrency. The scammer promised returns of 100% daily – and USD7,000 weekly.

The money was to be sent to Mrs S' crypto wallet and then to be invested in crypto currencies. Mrs S cashed in her ISA, sent funds to her Monzo account, and then to her crypto wallet as shown:

Date	Payment	Amount
4 October 2022	Faster payment – crypto wallet	£6,000
6 October 2022	Faster payment – crypto wallet	£50
12 October 2022	Faster payment – crypto wallet	£1,000
12 October 2022	Faster payment – crypto wallet	£100
14 October 2022	Faster payment – crypto wallet	£618
15 October 2022	Faster payment – crypto wallet	£120
16 October 2022	Faster payment – crypto wallet	£630
18 October 2022	Faster payment – crypto wallet	£800
18 October 2022	Faster payment – crypto wallet	£20
18 October 2022	Faster payment – crypto wallet	£100
20 October 2022	Faster payment – crypto wallet	£300
Total loss		£9,738

The scammer closed one social media chat down and advised Mrs S to use another one.

Mrs S then tried to withdraw some of the money but was told she couldn't. She then realised she had been scammed and contacted Monzo on 11 November 2022.

Mrs S lost all of her savings. She said she is now having to use food banks and is suffering from depression and anxiety.

Mrs S says Monzo should've done more to protect her. She opened an account with Monzo with the intention of using it for crypto trading. She says Monzo should refund the money she's lost, plus 8% per annum interest.

What Monzo said:

Monzo declined Mrs S' complaint and said:

- The payments were sent to a crypto wallet in Mrs S' name, and from there, the money was sent to the scammer. So – the loss occurred at that stage and not when Monzo made the payments.
- Monzo contacted the recipient bank on 16 November 2022, but no funds remained.
- They apologised for not dealing with Mrs S' complaint within 15 days and for that, paid compensation of £20.

Our investigation so far:

Mrs S brought her complaint to us. Our investigator upheld it and said:

- Monzo should've intervened in the first payment of £6,000 but didn't.
- Monzo sent a warning message to Mrs S when she made the first payment, but it wasn't sufficient,
- Monzo should've intervened as the account was only opened in September 2022, and the payment was unusual for the account.
- If Monzo had intervened, they would've found out the payment had all the hallmarks of a crypto currency scam.
- He said Monzo should refund all of the money from the first payment onwards, less 50%.
- He said Mrs S should bear 50% of the losses because the returns promised were too good to be true; the scammer kept moving social media platforms; the social media platforms weren't trading sites; Mrs S didn't do sufficient research e.g. finding out if the scammer had trading experience and was authorised and registered.

Neither Monzo nor Mrs S agreed. Mrs S said the scammer had thousands of followers on the social media site; he was able to answer her questions; he spent hours gaining Mrs S' trust – she thought she was doing the right thing.

Monzo said the earnings promised were too good to be true; legitimate traders don't operate over social media platforms; the investment website had warnings against it; Monzo had made best efforts to warn Mrs S; and the payments had been made to her own account (her crypto wallet).

So – the complaint has come to me to 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'm sorry to hear that Mrs S 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 Mrs S 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. Monzo hasn't signed up to the Code, but they follow its principles. That said, it applies to faster payments made to another UK beneficiary– and in this case, the payments were made by Mrs S to her own crypto wallet. So it doesn't apply in this case. I have therefore looked at this complaint using general Authorised Push Payment considerations.

I need to decide whether Monzo acted fairly and reasonably in its dealings with Mrs S 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 Mrs S normally used her account – then we would expect Monzo to have intervened and spoken to her about them.

I looked at Mrs S' account - and it was opened in September 2022 – only a few days before the first payment of £6,000 on 4 October 2022. Mrs S had advised Monzo that the purpose of opening the account was 'cryptocurrency trading'. And – the payment of £6,000 was preceded by two credits of £5,000 and £1,005 a few days before.

Taking all that into account, I think it's reasonable to say that Monzo should've considered the first payment as suspicious and contacted Mrs S about it – but didn't.

Monzo was the expert in such matters and if they'd intervened, held the payments and contacted Mrs S we would have expected them to ask open questions such as:

- Why are you making the payment?
- Who to?
- For what purpose?
- How did you hear about the investment?
- How were you contacted about it?
- Where did the money come from that you're investing?
- 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, they'd have found out that Mrs S had made contact through a social media platform; that she had no investment experience; and she had been asked to open a crypto wallet account. These were all signs of a crypto scam. It's therefore likely that the scam would've been uncovered and the first, and subsequent payments not made.

I considered the online warning sent to Mrs S – but these were for a 'safe account' scam, not an investment scam. So, I don't consider it as being sufficient.

I'm also not persuaded that the fact the payments were going to Mrs S' own account and so appeared to be going somewhere safe and 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 consider Monzo is liable to refund the payments of £9,738 in the first instance.

Contributory Negligence:

But that's not the end of the story here. I also considered whether Mrs S 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:

- She had no investment experience – and didn't seek any independent advice from a qualified or trusted advisor.
- The promised returns of 100% per day were clearly too good to be true – any reasonable person would've considered that to be the case.
- I couldn't see any evidence that Mrs S had researched the trading platform – for example, it doesn't appear on the FCA website at all. Monzo showed us warnings about the trader firm on a 'google' search.
- She traded using social media platforms – which wasn't a wise thing to do.
- I couldn't see she got evidence that the payments were being received into crypto currencies, but continued making payments.

For all these reasons, I think it's reasonable that Mrs S shares 50% of her losses with Monzo.

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 lost money. Here, I can see that Monzo didn't contact the recipient bank for five days after Mrs S contacted them – this was too long.

Having said that, it's in the nature of such scams that money is removed within minutes, or hours of receipt – so it's unlikely any funds would've been recovered in any case.

Putting things right

Monzo should refund £4,869 plus interest of 8% per annum simple.

My final decision

I uphold this complaint. Monzo Bank Ltd must:

- Refund to Mrs S £4,869, 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 Mrs S to accept or reject my decision before 16 January 2024.

Martin Lord
Ombudsman