

The complaint

Mr S has complained that Monzo Bank Ltd (“Monzo”) will not refund the money he lost as the result of a scam.

What happened

Both parties are familiar with the details of the scam so I will provide only a summary here. Mr S discovered an investment firm online that I will call B. Mr S contacted B and subsequently sent funds to a crypto exchange via faster payment the funds were then exchanged into crypto which was then sent onto B. When Mr S could not withdraw the profits, he could see on B’s website without paying a further fee he realised he had been scammed.

The following year Mr S was contacted by a company called C which said that it could recover the funds that Mr S had lost with B. Mr S therefore sent funds to a crypto exchange which again was converted into crypto and this time sent to C. When he did not receive the funds back he realised he had been scammed again.

The payments that Mr S made to B and C are listed below;

Transaction Number	Date	Amount	Type of Payment	Which Scam
1	12 August 2022	£5,000	Faster Payment	B
2	24 August 2022	£24,000	Faster Payment	B
3	05 September 2022	£10,000	Faster Payment	B
4	21 April 2023	£392	Faster Payment	C
5	21 April 2023	£3,300	Faster Payment	C
6	21 April 2023	£3,700	Faster Payment	C
7	24 April 2023	£4,180	Faster Payment	C
8	24 April 2023	£1,300	Faster Payment	C
9	25 April 2023	£4,250	Faster Payment	C
10	28 April 2023	£4,150	Faster Payment	C

Our investigator upheld the complaint in part because he thought that Monzo should have intervened at transaction 2 and had it done so the scam would have been stopped. He therefore thought that all the transactions after this point should be refunded.

He did though decide that there should be a 50% reduction to the refund in relation to scam C only as Mr S was equally responsible for his own loss for this scam.

Monzo did not agree with this outcome and therefore this complaint was passed to me to issue a 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.

There's no dispute that Mr S made and authorised the payments. Mr S knew who he was paying, and the reason why. At the stage he was making these payments, he believed he was transferring funds to invest in crypto. I don't dispute Mr S was scammed and he wasn't making payments for the reason he thought he was, but I remain satisfied the transactions were authorised.

It's also accepted that Monzo has an obligation to follow Mr S's instructions. So, in the first instance Mr S is presumed liable for his loss. But there are other factors that must be considered.

I've considered whether Monzo should have done more to prevent Mr S from falling victim to the scam, as there are some situations in which it should reasonably have had a closer look at the circumstances surrounding a particular transaction. For example, if it was particularly out of character.

The first payment seems to have been to an existing payee and seems to have been sent to an account in Mr S's own name that he had sent funds to and from before, so I don't think that this payment should or would've caused concern to Monzo.

I think Monzo ought to have carried out further checks on payment 2 and contacted Mr S before processing this transaction. It was a much larger payment than Mr S usually made and Mr S was sending the funds to a crypto exchange. This combination of factors in this particular case was unusual enough that it really should have prompted an intervention from Monzo at payment 2.

I also appreciate that Mr S's loss didn't materialise directly from his Monzo account in these circumstances. But even though he was transferring funds to a crypto account in his own name, I still think that Monzo ought to have taken a closer look at payment 2 – given the significant risk of fraud associated with cryptocurrency investments at the time.

The FCA and Action Fraud published warnings about cryptocurrency scams in mid-2018. And by January 2019, cryptocurrency scams continued to increase in frequency. So, by the time Mr S started making his investments in 2022, it is reasonable to say Monzo ought to have had a good enough understanding of how crypto scams work – including the fact that their customer often moves money to a crypto account in their own name before moving it on again to the scammers.

Therefore, I'm satisfied that Monzo should've had mechanisms in place to detect and prevent this type of fraud at the time Mr S was making this payment, and that it should have led to it intervening to ask further questions about payment 2.

I would expect Monzo to have intervened and asked Mr S who the payment was for, what it was for, and for the surrounding context of the payment - it could, for example have, asked how he had been contacted, whether he'd parted with personal details in order to open a trading account, whether he was being helped by any third parties e.g. a broker, and how he had come across the investment.

I have no reason to believe Mr S wouldn't have been open with Monzo, and I think he would have taken its intervention seriously. So, I think Monzo would have quickly learned from its conversation with Mr S the basic background to the payment instruction – that he was buying cryptocurrency and then sending on to what he thought was a cryptocurrency type trading platform which he'd decided to pursue after learning about it online

Even though the conversation would have identified the payment was going to Mr S's own crypto account (before being sent onto the scammers), the conversation shouldn't have stopped there on the basis that the money appeared to be going to somewhere safe and within Mr S's control. This is because by this point Monzo was well aware – or ought to have been well aware – of how scams like this work – including that the customer often moves money onto a crypto account in their own name before moving it on again to scammers.

So, I think Monzo would have been concerned by what the conversation would most likely have revealed and so warned Mr S, explaining the typical characteristics of scams like this. Had it done so I think Mr S would have listened and recognised he was at risk. I am satisfied he would have had second thoughts if Monzo had intervened effectively.

It therefore follows I think Mr S would not have gone ahead with payment 2 or the payments afterwards.

I've considered carefully whether Mr S should hold some responsibility for his loss by way of contributory negligence. In this instance I see no credible warnings online about B at the time of the scam so I don't think there needs to be a deduction for this scam. That said in relation to C there were a number of online warnings at the time from credible sources and therefore had Mr S done any research on C I think he would have discovered it was a scam.

So overall and having considered everything I think that Mr S contributed to his own loss in relation to the scam with C and therefore I feel that it would be appropriate to reduce the amount of compensation due to Mr S by 50% for the transactions to this company.

I have thought about whether Monzo could have recovered the funds, but the Contingent Reimbursement Model ("CRM") does not apply to funds sent to an account in the consumers own name, which seems to have been the case for all of the transactions in question. I also don't think that there was any other way to recover the funds.

Putting things right

Monzo will have to

- Refund the money Mr S lost in the scam from transaction 2 onwards. With a deduction of 50% for the transactions that were part of the scam with C (payments 4 – 10). Minus any refunds or credits received.
- Add 8% simple interest annually on those sums from the date they were paid to the date of settlement less any tax lawfully deductible

My final decision

I uphold this complaint in part and require Monzo Bank Ltd to pay the redress outlined above

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 11 July 2024.

Charlie Newton
Ombudsman