

The complaint

Mrs L complains that Monzo Bank Ltd (Monzo) won't refund money she lost in a scam.

What happened

What Mrs L says:

Mrs L is represented by a third-party firm of solicitors.

She says she was in a low paid job and her hours had been cut – so she was struggling. In December 2022, she got a WhatsApp message from a firm which proved to be a scam. The company (which I will call X) was a clone of a legitimate firm of the same name. The representative of X asked Mrs L if she was interested in a job in 'product optimisation'. Mrs L needed to earn more money, so she agreed to take part. The website of X looked genuine, and Mrs L went through various ID and AML (anti money laundering) checks – all of which made her think it was a genuine opportunity.

She was offered a basic salary plus a profit share. There were various membership levels and each had a different income promise. To earn money, she had to pay a deposit to 'unlock' the rewards. She paid an initial fee of £500 from another bank account. The scammer from X recommended she open an account with Monzo.

After a while, Mrs L saw her products became more expensive and her account went into a negative balance. She was then offered, at various times, 'merged tasks' which were potentially of a higher value/income, but this needed more money to be sent. It turned out that the payments were apparently to buy crypto currency.

She only received income of USD150. Then, in May 2023 when she wanted to make withdrawal – she was asked to pay a fee. She felt this was the only way to get her money back, so made two more payments in May 2023. **(continued)**

The payments were:

Payment No.	Date	Faster Online Payments	Amount
1	16 February 2023	Various payees: crypto wallet	£4,850

2	28 April 2023	Various payees: crypto wallet	£800
3	28 April 2023	Various payees: crypto wallet	£9,000
4	30 April 2023	Various payees: crypto wallet	£3,200
5	6 May 2023	Various payees: crypto wallet	£4,643
6	10 May 2023	Various payees: crypto wallet	£4,600
Total loss			£27,093

Mrs L complained to Monzo in July 2023. She says the payments were unusual for the way she used her account; and Monzo should've intervened and stopped them. She says Monzo should've done more to protect her. She says Monzo should refund the money, plus interest at 8% per annum, and compensation of £250.

As a result of what happened, Mrs L has lost all her savings. She is now struggling to pay bills and feels humiliated; and is in debt to her family and friends. She has no means of repaying them. She says her physical and mental health has suffered, and feels depressed and often cannot sleep.

What Monzo says:

Monzo initially said they couldn't deal with Mrs L's complaint in line with the normal timescales, and it therefore it came to us. After our investigator issued his view, Monzo issued a final response in February 2024. In it, Monzo declined to make any refunds. They said:

- They followed the correct procedures. The payments were authorised by Mrs L, and Monzo acted in accordance with her instructions.
- The money was sent to the scammers from a crypto wallet in Mrs L's name, and that was where the scam took place – not when the money was sent from her Monzo account.
- And when Mrs L made the first payment, she was sent a scam warning – but she clicked to say she wanted to go ahead.
- Monzo also said they provided general scam warning information on its website.
- While Monzo hasn't signed up to the Contingent Reimbursement Model Code (the Code), it didn't apply in any case – as the payments were sent to an account in Mrs L's name.

Our investigation so far:

Mrs L brought her complaint to us. Our investigator upheld it.

- The payments from the third one for £9,000 should've raised concerns with Monzo. This was unusual compared to Mrs L's normal account activity.

- Her account was also newly opened.
- There were multiple payments to new payees.
- Monzo didn't intervene in any of the payments, and it was reasonable that they did. If they had, this would've revealed what was happening, and that it was a common scam. It was likely Mrs L wouldn't have paid any more money to the scammers.
- But – he also said Mrs L should bear 50% of her losses. She was offered a job via social media; there wasn't any contract; very unusually, she had to pay money to an employer; and she made a number of payments to different payees, without any money being received.
- All of those aspects should've been a 'red flag' to Mrs L that something wasn't right.

Our investigator said Monzo should refund 50% of the payments from the third payment (£9,000), plus interest at 8% per annum simple.

Mrs L accepted the findings, but Monzo didn't. They said:

- When Mrs L opened the account, she said it was for crypto and bill payments. So – that's what the payments were for.
- The payments were spread out, which doesn't imply or indicate signs of a scam.
- If they had intervened, there wasn't anything to suggest she would've told Monzo what she was doing.
- There was nothing in the payments that suggested they were suspicious.

Therefore, 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 L 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 L 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.

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

The Lending Standards Board Contingent Reimbursement Model Code (CRM Code) provides for refunds in certain circumstances when a scam takes place. But – it 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 L 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.

If the payments were of a sufficient size and were out of character with how Mrs L normally used her account – then we would expect Monzo to have intervened and spoken to her about them. I looked at Mrs L's account, and it's fair to say that the payments were unusual compared to the way in which she used it– which was to make a small number of low value payments.

It is also relevant to say the account was only opened in February 2023 – with a deposit of £5,000. After the first payment of £4,850, there were several other payments, all of which were less than £20 – until the second payment of £800.

There's a balance to be made: Monzo has certain duties to be alert to fraud and scams and to act in their customers' best interests, but they can't be involved in every transaction as this would cause unnecessary disruption to legitimate payments.

I thought carefully whether we would reasonably have expected Monzo to have stopped the first payment of £4,850 – given that Mrs L had just opened her account. But on balance, I'm persuaded that in this case, I think Monzo acted reasonably in processing the first and second payments.

But looking at the third payment for £9,000 – this was then the third such payment to another new payee; and it was funded by inward transfers on the same day from either Mrs L or her family/friends. So – given this, and the size of the payment, I think it's reasonable to have expected Monzo to have intervened and asked questions.

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

- Why did you open your account with Monzo?
- Why are you making the payment?
- Who to?
- For what purpose?
- How did you hear about the job opportunity?
- How were you contacted about it?
- Where did the money come from that you're sending?
- Where is the money going to from your crypto wallet – to 'bitcoin'?
- What do you know about bitcoin investing?

- How were you given the bank account details where the money was to be paid to?

Monzo would then have discovered that Mrs L had been contacted via WhatsApp 'out of the blue' and the contact had originated from the internet. And that the scammers had advised her to open an account with Monzo to make the payments. Such a job scam was a common one, and we would've expected Monzo to have quickly spotted the signs of the scam. It was therefore likely that Mrs L would've been warned about the risks involved and wouldn't have made the payments from the third payment onwards.

Monzo have argued that they sent a scam warning to Mrs L when she set up the first payment. I've considered this point – but the warning was a general one and wasn't tailored to the scam she was victim of. And therefore, I don't consider it was sufficient to cause me to conclude that Monzo acted reasonably and aren't liable.

Monzo also say that Mrs L said when she opened the account that it was to be used for crypto purchases and bill payments – and so that's what she was doing. But I don't think that means that Monzo don't have a responsibility to check the payments in question.

I'm also not persuaded that the fact the payments were going to Mrs L's own account and so appeared to be going somewhere safe and within her control should have satisfied Monzo that he 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.

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 that they contacted the recipient bank in July 2023 – but I haven't seen any response. I couldn't see whether Monzo chased this either – as they should've done. But here – in practical terms, I think it's unlikely that any funds remained to be repaid. I say that as it had by then been two months since the payments were made – and normally in such scams, funds are removed from the recipient bank immediately.

So, in the first instance, I consider Monzo are liable to refund the amount of the payments from the third one - £21,453.

Contributory Negligence:

But that's not the end of the story here. I also considered whether Mrs L 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 didn't do any research into the company X – I accept there was a reputable company of the same name, but there were also reports of a clone company – with reports of the recruitment firm being a scam. It's reasonable to have expected Mrs L to have seen those reports.
- She was contacted via social media – a known method of a scammer's approach.
- She was asked to pay money to an employer – which is an unusual way for any reputable employer to operate.
- She didn't get a contract or see any terms and conditions of her job.

- She was asked to pay money, each time to different payees – this should've been a 'red flag' to her.
- She continued to make payments, even though no income had been received.

So I agree that for these reasons, Mrs L should share 50% of her losses with Monzo.

Putting things right

Monzo must refund 50% of £21,453 - £10,726.50, plus interest at 8% per annum simple.

My final decision

I uphold this complaint. Monzo Bank Ltd must:

- Refund £10,726.50 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 L to accept or reject my decision before 15 March 2024.

Martin Lord
Ombudsman