

## Complaint

Mr O is unhappy that Monzo Bank Ltd didn't reimburse him after he told it he'd fallen victim to a scam.

## Background

In May 2023, Mr O received a text message from an unknown number. The sender purported to be working for a well-known and reputable recruitment agency. Unfortunately, that communication hadn't come from a genuine employee of that company, but a fraudster. I understand that Mr O had registered his details with several recruiters. The scammer said they'd obtained his contact details via a recruitment website. They offered him a remote working opportunity with a client who specialised in "*data optimisation*." He would be expected to rate and review third-party apps. The premise was that his activity would drive up the visibility of specific apps and increase their sales. In return, Mr O was told he'd earn commission. He was given access to a website which, according to Mr O, looked generally professional.

Shortly after he started, the balance on his account was negative. The fraudsters told him that he needed to fund his account in order to continue earning commissions. He made three payments in connection with the scam. The total value of those payments was £12,500. These were bank transfers, but all used to fund peer-to-peer purchases of cryptocurrency. That cryptocurrency was then transferred to an e-wallet address that was controlled by the fraudster.

Once Mr O realised that he'd fallen victim to a scam, he contacted Monzo. It didn't respond and so he referred his complaint to this service. It was looked at by an Investigator who recommended that it be partially upheld. Monzo disagreed with the Investigator's opinion and so the complaint has been passed to me to consider and come to a final decision.

## Findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations 2017 and the terms and conditions of the customer's account.

The Investigator considered Mr O's complaint by applying the terms of the Lending Standards Board's Contingent Reimbursement Model (CRM) Code. However, while I don't find that it's material to the overall outcome, I don't think these payments were covered by the Code. Mr O made peer-to-peer cryptocurrency purchases in which he did take ownership of the underlying cryptoassets. In other words, the transactions that left his Monzo account were legitimate purchases of cryptocurrency. In summary, the CRM Code requires that Mr O "*transferred funds to another person for what [he] believed were legitimate purposes but which were in fact fraudulent*." The fact that Mr O later transferred the cryptocurrency to a blockchain address controlled by the fraudster doesn't mean that these initial payments

weren't for legitimate purposes.

Although the CRM Code doesn't apply to these transactions, good industry practice required that Monzo be on the lookout for payments that were out of character or unusual to the extent that they might have indicated a fraud risk. On spotting such a payment, I'd expect it to intervene in a manner proportionate to the risk identified.

I think Monzo ought to have been concerned from the first payment Mr O authorised for £4,500. This was significantly larger than the typical payments from his account and was being made to a new payee. I don't think Monzo should've processed this payment without first taking steps to satisfy itself that Mr O wasn't at risk of financial harm due to fraud. I think he would've been candid with the bank about the reasons he was making the payment. From what he's told us, he wasn't warned by the fraudsters about the need to mislead the bank so as to evade its fraud detection systems. On balance, I think it's likely he'd have responded openly and honestly and the scam would've unravelled.

I can see that Monzo displayed a general warning as part of the payment process. The text of this warning attempted to help customers guard against several different types of potential scam. As a result, it wasn't particularly relevant to the scam that had targeted Mr O. He also had a telephone call with an employee of the bank and I've listened to a recording of it. This was prior to the second payment being processed. He was asked binary questions which allowed the call handler to rule out several potential scam types. He wasn't particularly forthcoming about his reasons for wanting to make the payment, but I'm mindful of the fact that he wasn't really asked many open questions that would've allowed for that information to come out. I don't think the way Mr O responded during this call supports the contention that he wouldn't have answered the bank's questions openly and honestly if he'd been asked.

Overall, I'm persuaded that, if Monzo had intervened in connection with the first payment and asked open and probing questions allowing for the nature of the payments to be discussed, it's more likely than not that the scam would have come to light. Mr O's losses would therefore have been prevented.

I've also considered whether it would be fair and reasonable for him to bear some responsibility for his own losses here. In doing so, I've taken into account what the law says about contributory negligence but kept in mind that I have to decide this complaint based on what I consider to be fair and reasonable in all the circumstances. I've considered the evidence carefully and, while I accept Mr O did genuinely believe that these payments were being made in connection with a legitimate employment opportunity, I'm not persuaded that that belief was a reasonable one. There was no formalisation of the arrangement between him and his employer – for example, there was no written contract and indeed no clear setting out of the terms of his employment. The way in which the job opportunity was offered to him was also unusual and I think that ought to have made him think twice before going ahead with the payments.

Finally, the arrangement was an inversion of the normal employer-employee relationship. In most circumstances, people expect to be paid by their employer, rather than the other way around. As far as I can see, there wasn't really any attempt to explain this uncommon arrangement and Mr O doesn't appear to have asked about it. I think he ought to have proceeded only with great caution. Overall, I think it's fair and reasonable for Monzo to make a 50% deduction from the redress payable to Mr O.

For completeness, I've also considered whether Monzo did everything it needed to do once it became aware that Mr O had fallen victim to a scam. These payments were made in May and June 2023. Unfortunately, the scam wasn't reported to Monzo until September and so,

even if Monzo had made contact with the receiving banks, there was no realistic prospect of recovering Mr O's money in this way.

### **Final decision**

For the reasons I've set out above, I uphold this complaint. If Mr O accepts my decision, Monzo Bank Ltd needs to refund 50% of the money he lost to the scam. It should also add 8% simple interest per annum to that sum calculated to run from the date the payments were made until the date any settlement is paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 19 July 2024.

James Kimmitt  
**Ombudsman**