

The complaint

Miss E complains that Monzo Bank Ltd won't reimburse her the money she transferred to a fraudster.

Miss E is professionally represented in bringing her complaint to our service, but for ease of reading I'll refer to all submissions as made by Miss E directly.

What happened

Miss E has explained that she received contact from an individual via an instant messaging app, explaining he had a job opportunity involving increasing the popularity of hotels for a well-known travel firm. Unfortunately, unknown to Miss E at the time, this individual was in fact a fraudster. Miss E was told that she needed to use peer-to-peer trading to purchase cryptocurrency, which she should then transfer to a cryptocurrency wallet set up in her name, before transferring the funds to a wallet held by the fraudster. Miss E was told she would earn commission for tasks she completed for the company through its platform, as well as commission for the cryptocurrency deposits she made.

The first few times Miss E made these deposits and completed tasks, she received commission as agreed. However, Miss E then began to receive 'premium orders' through the platform, where she was told she needed to make further deposits to receive higher commissions. Each time Miss E made a deposit, she received another 'premium order', requesting another deposit before she could make a withdrawal. The deposit demands kept increasing in size until Miss E could no longer get the funds requested together, and realised she'd been the victim of a scam.

Overall, Miss E made the following payments, each to different payees through peer-to-peer trading:

| Date | Payment value |
|------------|---------------|
| 23/12/2022 | £100 |
| 24/12/2022 | £200 |
| 24/12/2022 | £100 |
| 25/12/2022 | £1,127 |
| 25/12/2022 | £2,900 |
| 26/12/2022 | £5,000 |

Monzo contacted Miss E on its chat facility in January 2023 and again in May 2023 to query one of the payments Miss E had made, after receiving reports about the recipient account. At this point Miss E told Monzo about the scam and a claim was raised.

Monzo considered Miss E's claim but didn't determine it was liable to refund her losses. It didn't think Miss E had taken the steps expected of her, prior to making payments towards the scam - and didn't consider it had breached any of its own duties.

Miss E referred the matter to our service. She argued that Monzo didn't do enough to protect her from falling victim to the scam and had Monzo questioned her during the payments, it would've come to light that she was at risk of fraud.

An investigator considered Miss E's complaint and upheld it in part. She thought the final payment Miss E made towards the scam was sufficiently out of character that Monzo ought to have intervened, prior to her making the payment and had it done so, the scam would've been uncovered. However, the investigator also considered that Miss E clearly had doubts by the time she made this payment regarding the legitimacy of the job she was completing. She therefore thought Monzo should take 50% liability for Miss E's losses on the final payment she made, with Miss E accepting 50% liability also.

Miss E accepted the investigator's findings but Monzo disagreed. It didn't consider that it ought to have intervened on the final payment Miss E made – Monzo argued that as the payments were around Christmas time, larger transactions are often reasonable to expect, and that the payments weren't in quick succession, which is often an indication of a scam. Monzo also argued that the loss didn't occur when the transfer was made from Miss E's Monzo account, as the funds initially went to a cryptocurrency wallet in Miss E's own name. Monzo therefore considered the cryptocurrency platform should be considered liable for any losses.

As Monzo disagreed, the complaint has been referred to me for 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.

The starting point under the relevant regulations (in this case, the Payment Services Regulations 2017) and the terms of Miss E's account is that she is responsible for payments she's authorised herself. The Contingent Reimbursement Model (CRM) Code can provide additional protection for the victims of APP scams such as this was. However, payment transfers involving 'peer to peer' currency exchanges, as was the case here, are not included within the scope of the CRM Code. So I cannot fairly apply the terms of the CRM Code to any of the payments Miss E has made.

However, taking into account regulators rules and guidance 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 firms are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, before processing a payment, or in some cases decline to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.
- Have been mindful of – among other things – common scam scenarios, the evolving fraud landscape (including for example the use of multi-stage fraud

by scammers) and the different risks these can present to consumers, when deciding whether to intervene.

Should Monzo have fairly and reasonably made further enquiries before processing Miss E's faster payments?

It isn't in dispute that Miss E has fallen victim to a cruel scam here, nor that she authorised the disputed payments she made from her account, but I've thought about whether Monzo should have reasonably intervened in any of these payments.

I need to take into account that Monzo needs to strike a balance between countering the risk of fraud and not unduly inconveniencing customers making genuine transactions. Having reviewed Miss E's account statements for the six months prior to the scam, I can see that Miss E uses the account frequently and often makes faster payments – however these payments are lower value than those made from 25 December 2022 onwards in this scam. Therefore I think that by the time Miss E made the payment of £5,000 this was notably out of character, being a considerable jump in value from any prior payments on the account, following two other large value payments the day prior and all payments having been to new payees.

Had Monzo intervened before allowing this payment to be processed, I'm persuaded that the scam would most likely have come to light. I say this because Miss E has not suggested that she was told to lie about the nature of the payments she was making (and there's also no mention of this in the chat transcript between Miss E and the fraudster), so I see no reason why she wouldn't have been honest about what she was doing.

In reaching my decision about what is fair and reasonable, I have also taken into account that when making the scam payments, Miss E received the peer-to-peer cryptocurrency funds into a wallet in her own name, so she remained in control of her money after she made the payment from her Monzo account, and it took further steps before the money was lost to the fraudsters.

But for the reasons I have set out above, I am satisfied that it would be fair to hold Monzo responsible for Miss E's losses (subject to any deductions that I'll comment on below). As I have explained, the potential for multi-stage scams ought to have been well known to Monzo and, as a matter of good practice, Monzo should fairly and reasonably have been on the look-out for payments presenting an additional scam risk including those involving multi-stage scams. I'm therefore satisfied it is fair to hold Monzo responsible, at least in part, for Miss E's losses. I don't consider Monzo should apply any interest to these losses, as Miss E has explained this money was borrowed from friends and family, most of which she still owes.

Should Miss E bear any responsibility for her losses?

There is a general principle that consumers must take responsibility for their decisions, and I have duly considered whether Miss E should be liable in part for her losses, by way of contributory negligence. In the circumstances of this case, I'm satisfied she should. I say this because I consider there to have been enough warning signs that she was being scammed, which Miss E does not appear to have reasonably acted upon.

Miss E has made substantial 'deposits' for what she believed was a job opportunity. I think Miss E ought to have been concerned at the very nature of this proposal - paying to participate in a job is a complete inversion of the employer-employee relationship and would strike most people as an unusual arrangement.

Based on Miss E's description of the scam, there doesn't appear to be a clear explanation of why she is required to pay a deposit at all, in order for her to complete online tasks. It's also unclear why these deposits would need to be converted into cryptocurrency, and I haven't seen evidence that Miss E questioned these unusual requirements.

Miss E has provided a screenshot of the platform she believed she was working from, which sets out what I understand to be her current earnings to date. Based on the amount of time she appears to have been 'working' in the role, I think the returns she was seeing were unrealistic and this ought to have caused concern for Miss E that the opportunity was too good to be true.

In the conversation Miss E has with the fraudster, it's clear that by the time she made the final payment, she had genuine concerns she has been scammed, but proceeds in spite of this in a hope of recovering money she's already lost.

Overall, I think there were sufficient red flags here that reasonably ought to have led Miss E to have acted far more cautiously than she did. So, I think Miss E did have a role to play in what happened and I think that the amount Monzo should pay to her in compensation should fairly and reasonably be reduced by 50% to reflect that role.

Recovery of funds

Finally, I've considered whether Monzo could've done more to recover Miss E's funds after the scam. However, the funds went to third parties in exchange for cryptocurrency, and it was this cryptocurrency that was transferred to the fraudster. Therefore Monzo wouldn't have been able to recover funds from the individual who Miss E actually sent her money to, and tracing and returning cryptocurrency has minimal prospects of success (which is why fraudsters are often choosing this method to bypass recovery obstacles.)

My final decision

My final decision is that I uphold Miss E's complaint about Monzo Bank Ltd in part. I required Monzo Bank Ltd to refund Miss E 50% of the final payment she made of £5,000 (meaning a refund of £2,500).

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 30 May 2024.

Kirsty Upton
Ombudsman