

The complaint

Miss A has complained that Monzo Bank Ltd won't refund the money she lost after falling victim to a scam.

What happened

In August 2023, Miss A approached someone on social media who was offering a way to make money through 'investing'. She was asked to move money through one of her bank accounts to cryptocurrency wallets in her name and then on to a cryptocurrency wallet belonging to a third party. She was then asked to do the same via her Monzo account, initially moving on a payment that was made into her account, and then moving on her own money, including funds from an overdraft she was encouraged to apply for. Miss A says she was told she could earn around £4,000 by doing this.

But unfortunately, the people she was dealing with were scammers, and this was not a legitimate earning opportunity. When the scammers continued to ask her to make more and more payments, with no sign of her receiving any profits, she became suspicious and told Monzo what had happened.

Monzo didn't think it was liable for Miss A's loss, primarily because she'd sent the money from Monzo to a cryptocurrency account in her own name, and so it said the loss had been from the cryptocurrency platform, not from Monzo. It also said that the payments had been made via Open Banking, and so it could not have intervened to provide any warning. Monzo did though ultimately offer to pay Miss A £175 to recognise that it could have handled her scam claim and her complaint better.

Miss A remained unhappy, so she referred her complaint to our service. Our investigator looked into things independently and upheld the complaint in part. They thought Monzo should have intervened by the time Miss A sent her seventh payment on 28 August 2023, and if it'd done so the scam could've been stopped from that point on. But they also thought Miss A shared liability for the loss as there were aspects of the scam that should have flagged to her that something untoward was going on. They proposed that Monzo refund half of the money that was lost from the seventh payment onwards, and refund the relevant overdraft charges applied. They also recommended an additional £100 compensation for the impact of the delays in Monzo handling Miss A's claim and complaint.

Miss A accepted the investigator's findings, but Monzo didn't agree, so the complaint's been passed to me to decide.

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've also considered the wider regulatory landscape, including the Payment Services Regulations 2017 (PSRs) and the Consumer Duty.

It's not disputed that Miss A authorised the payments that are the subject of this complaint. So as per the PSRs that means Miss A is responsible for them. That remains the case even though she was the unfortunate victim of a scam.

Because of this, Miss A is not automatically entitled to a refund. But the regulatory landscape, along with good industry practice, also sets out a requirement for account providers to protect their customers from fraud and financial harm. And this includes monitoring accounts to look out for activity that might suggest a customer was at risk of financial harm, intervening in unusual or out of character transactions and trying to prevent customers falling victims to scams.

Taking the above into consideration, I need to decide whether Monzo acted fairly and reasonably in its dealings with Miss A, or whether it should have done more than it did.

I accept that there needs to be a balance between responding to potentially fraudulent payments and ensuring there's minimal disruption to legitimate ones. I also note that Monzo has said the payments were instructed via Open Banking, which it says meant it was unable to present a warning before they were authorised. But Monzo is required to exercise reasonable skill and care, pay due regard to the interests of its customer and follow good industry practice to help protect accounts. That includes monitoring accounts for payments that could indicate that its customer was at risk of financial harm. So Monzo needed to ensure it had systems in place to monitor Miss A's account for unusual transactions or other indications she may have been the victim of fraud. And I'm satisfied that as a payment service provider Monzo could have intervened in an Open Banking payment for fraud detection and prevention purposes, much like it would do with other Faster Payments that included the relevant risk factors. I don't agree that the FCA Technical Standards prevent Monzo from doing this.

And, in the particular circumstances of this case, I think there is a stage where the pattern of payments became unusual enough that it ought to have flagged to Monzo that something potentially untoward was going on, and so prompted Monzo to intervene.

Specifically, Miss A's account was generally used for low value card payments and transfers between her own accounts. There were some faster payments to third parties, but these were for small amounts. And Miss A did not generally use her overdraft facility, or make payments to cryptocurrency. On 28 August 2023 Miss A received a deposit from a third party, and then made 15 payments to cryptocurrency accounts within a few hours (two of which were bounced back by the payee).

The value of each individual payment was relatively low, but overall this represented an unusually large amount of spending for the account. Combined with the new use of the overdraft for these transactions, and that they were to a new high-risk payee associated with cryptocurrency, I agree with our investigator that by the seventh payment Monzo should have been on notice that Miss A could be at risk of fraud.

The Financial Conduct Authority (FCA) and Action Fraud have previously published warnings about cryptocurrency scams, so Monzo should've had a good understanding of the risk of these scams and how they work. I acknowledge that the payments in dispute here were made to accounts in Miss A's own name, via open banking, and so could be considered less risky overall to Monzo. However, just because a payment is to an account in the consumer's own name that does not mean it bears no risk at all, and I would still expect Monzo to keep an eye out for payments that bore hallmarks of potential fraud, even if those payments were made to another account belonging to their customer.

I say this because this kind of payment journey – where payments are made from an account with one bank, to accounts in the same consumer's name, and then on to buy cryptocurrency – is increasingly a feature of this kind of investment scam. And I would expect Monzo to have an awareness of how these scams operate and be aware of what it should be looking out for to help protect its customers.

With all this in mind, I think Monzo should have identified the likely risk to Miss A and provided her with a detailed scam warning relevant to the payments she was making – so including details of how cryptocurrency scams might work which would be likely to resonate with the situation Miss A found herself in. Had Monzo done this, and explained the risks Miss A was exposing herself to, then I consider it likely that the spell of the scam would have been broken and Miss A wouldn't have proceeded with any further payments. So, I think Monzo could have prevented the losses Miss A incurred from the seventh payment onwards.

With all this in mind I consider that Monzo bears some liability for Miss A's loss from the £297 payment made at 9:02pm on 28 August 2023 onwards.

But I've also thought carefully about Miss A's role in what happened. I do understand Miss A's reasons for making the payments. But I think she ought to have had some concerns along the way about what was happening. In fact, I can see from the records of her conversations with the scammer that she did have some concerns about the legitimacy of what she was being asked to do, but she nonetheless continued to make payments to the scammer. I also can't see that Miss A carried out reasonable due diligence before paying the scammers. For example, the returns Miss A was promised were not realistic, and there was no clear explanation of exactly what Miss A was investing in or how this scheme would work.

So, I don't think I can hold Monzo solely responsible for Miss A's losses from the seventh payment onwards. I think Miss A should also bear 50% of the responsibility for those losses.

Lastly, I've considered whether Monzo should have done more to try to recover Miss A's money. But as the payments went to her own cryptocurrency account, there wasn't anything more I'd expect Monzo to do there.

I acknowledge that there were then issues with the way that Monzo handled Miss A's claim and complaint. Specifically, Monzo has agreed that its staff did not always show a clear understanding of what Miss A had already told it, that there were delays in handling her scam claim and complaint, and that Miss A was not called back when she should have been. Monzo had offered £175 to recognise the impact of these issues, and our investigator felt it should pay a further £100 (making £275 compensation in total) given the impact of the issues detailed above on Miss A. I agree with our investigator that this is a reasonable amount of compensation given the issues here – the delay in the response to the scam claim was compounded by the delay in Monzo dealing with the complaint, and by the poor communication making Miss A feel like she was not being listened to or understood. So, I consider that a further £100 compensation, on top of the £175 already paid, is appropriate here.

Putting things right

To resolve this complaint, Monzo Bank Ltd should:

- Refund 50% of the scam payments from and including the £297 payment made at 9:02pm on 28 August 2023 onwards, less £17.50 which originated from the initial fraudulent payment into Miss A's account
- Adjust any overdraft charges associated with the loss that is being refunded
- Pay an additional £100 compensation

My final decision

I uphold Miss A's complaint in part, Monzo Bank Ltd should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 12 June 2024.

Sophie Mitchell
Ombudsman