

Complaint

Mr C is unhappy that Monzo Bank Ltd didn't refund him after he fell victim to a scam.

Background

The background to this case is well known to the parties so I only intend to summarise it briefly here.

In September 2023, Mr C fell victim to a scam. A friend of his recommended an investment opportunity. He referred Mr C to an account manager at an investment company. The account manager explained that he could manage Mr C's money on his behalf and generate significant returns for him. Unfortunately, that person wasn't an employee of a legitimate investment firm, but a fraudster. At the request of the fraudster, Mr C used his Monzo account to transfer funds to an e-wallet he set up with a cryptocurrency platform. He then converted that fiat currency into cryptocurrency and transferred it into the control of the fraudsters. He'd been told that this was the mechanism through which he could deposit funds into his trading account.

Mr C made his first payment in connection with the scam on 26 September 2023. The payment was for £1,000. Monzo, concerned about the risk of fraud, stopped that payment and spoke to him over the phone. In the view of Mr C's representative, Monzo didn't do enough during that phone call. Monzo, however, was satisfied that Mr C wasn't at risk of financial harm and so processed that payment.

He went on to make seven further payments from his Monzo account in connection with the scam. The total value of the money he transferred was £37,300. I understand Mr C took out several loans to fund the later payments. The fraudster asked him to tell those lenders that he was borrowing money to fund "*home improvements*" and, when moving the funds into his Monzo account, to be clear with anyone that asked that he wasn't making investments. In practice, although some of the later payments were quite significant in size, Monzo didn't intervene in connection with any of them.

Mr C realised he must have fallen victim to a scam when he wasn't able to withdraw money from his trading account. He notified Monzo but it didn't agree to reimburse him. Mr C wasn't happy with that and so he referred his complaint to this service. It was looked at by an Investigator who didn't uphold it. The Investigator listened to the telephone call Mr C had with Monzo on 26 September 2023. She found that Mr C hadn't been open and honest when responding to the bank's questions and that had meant the bank couldn't have done much more. She also noted that the bank had highlighted several 'red flags' that he should be on the lookout for to protect himself from fraud. Several of these were relevant to Mr C's circumstances, but he didn't appear to take these warnings on board.

Mr C didn't agree with the Investigator's opinion. He thought that the bank should've probed more during that conversation and, if it had, the scam would've unravelled and his losses would've been prevented. Since Mr C disagreed with the Investigator's opinion, the case 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 and the terms and conditions of the customer's account. However, that isn't the end of the story. 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.

In this instance, Monzo did call Mr C when he attempted the first payment. I've listened to that call and I'm afraid I agree with the Investigator's conclusions about it. It's difficult to see what more the bank could've done to protect him. It asked him several questions to try and identify whether any of the commonly occurring features of these scams were present. Mr C gave several answers that were misleading or incorrect.

For example, he told the employee of the bank that the cryptocurrency he was purchasing would remain in his e-wallet with the cryptocurrency provider. He was asked whether he would be transferring it elsewhere and he said no. But the fraudster had specifically told him that he would need to transfer the cryptocurrency on to their e-wallet to allow for deposits to be made into his trading account. The bank told him in the same call that, if a broker was asking him to transfer cryptocurrency in this way, it was a *"huge red flag"* and that he must stop making payments.

In addition to that, the employee of the bank asked him whether anyone was advising him or helping him with making the investments. Mr C said no. However, he had been talking with an account manager at the company who was managing his investments on his behalf. Finally, he said that his family and friends weren't aware that he was investing, but Mr C says that he was introduced to this investment opportunity by a friend. As I understand it, Mr C hadn't been given any guidance by the fraudster as to how he should respond if the bank questioned any of the payments, so it's not entirely clear to me why he responded as he did. In any event, based on the answers he gave during that conversation, I think it was reasonable for Monzo to conclude that Mr C wasn't at risk of financial harm due to fraud.

I've also considered whether Monzo should've intervened again in connection with any of the later payments. I can see that Mr C made two payments of £10,000 a few weeks later. I think these payments were sufficiently out of character that Monzo should've taken some steps to satisfy itself that Mr C wasn't at risk of fraud. However, it doesn't automatically follow that it should pay redress to Mr C. I have to consider whether its failure to intervene was the effective cause of his losses. I need to consider what would've happened if Monzo had acted differently.

Unfortunately, I'm not persuaded it would've been able to prevent him from making those payments either. I can see from the messages exchanged between Mr C and the fraudster that, by this point, they'd started coaching him on what to say if questioned about this account activity. He was told to tell the lenders he applied to that he was borrowing money to pay for home improvements and that, when moving the funds between his accounts, to not mention to anyone that the purpose of the payments was investment.

I don't think there's any reason to think that Mr C, having not responded candidly to the bank's queries in the first call, would now do so in a later one. It's difficult to not look at how he responded in that call and draw inferences as to how he would've responded in a later

one. It's also significant that, during that first call, Monzo were clear with Mr C about the commonly occurring features of investment scams and the red flags he needed to look out for. This didn't have any impact on Mr C's decision making at the time, and so it's hard to see how I can conclude that he *would* have considered it fully in a later intervention.

I don't say any of this to downplay or diminish the fact that Mr C has fallen victim to a cruel and cynical scam. I have a great deal of sympathy for him and the position he's found himself in. However, my role is limited to looking at the actions and inactions of the bank and I'm satisfied it responded appropriately to the first payment and, although it could've done more later, I'm not persuaded that failing was the cause of his losses.

Final decision

For the reasons I've explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 6 September 2024.

James Kimmitt
Ombudsman