

The complaint

Mr B complains that Monzo Bank Ltd did not refund a series of payments he lost to a scam.

What happened

Both parties are aware of the circumstances of the complaint, so I won't repeat them again in detail here. In summary, Mr B found an investment opportunity online which turned out to be a scam. He sent the following funds via faster payment from his Monzo account which was opened specifically for the scam:

- 14/08/2023 - £490
- 16/08/2023 - £2,100
- 21/08/2023 - £5,000
- 23/08/2023 - £5,000
- 24/08/2023 - £5,000
- 24/08/2023 - £5,000
- 25/08/2023 - £5,000
- 25/08/2023 - £5,000
- 26/08/2023 - £5,000

These went to a crypto-wallet in his own name before being sent on to the scammer. A final payment of £5,000 was referred for further checks and the Monzo fraud handler explained Mr B was the victim of a scam and decided to freeze his account to prevent further payments being made. Mr B had already been stopped by two other institutions from sending money to the scam.

Mr B referred his complaint to our service and our Investigator thought Monzo should have stepped in sooner to intervene in the payments and felt this would have prevented the scam at an earlier point. They originally felt that the first £5,000 payment was a fair intervention point, but later changed this to the fourth payment of £5,000. They also recommended a reduction in the redress of 50% to account for Mr B's contribution to the scam.

Mr B felt the correct trigger point for the redress should be the first payment of £5,000. Monzo said that as this was a new account, there was no history of spending to see what was unusual, so they thought the point at which they intervened was reasonable. And they thought Mr B was negligent to carry on trying to make payments when other banks had warned him that he could be the victim of a scam.

I issued a provisional decision in which I said the following:

Firstly, I would like to highlight that these transactions do not fall under the Contingent Reimbursement Model ("CRM") code, as the payments went to another account in Mr B's name, and these kinds of transactions are not covered by the code. So Mr B's case does not fall under the same level of protection as one under the CRM would. However, Monzo does still have a basic duty of care to its customers to protect them from financial harm.

I'm satisfied that Mr B has been the victim of an investment scam, and I'm sorry that he's had to go through this experience. What's left to decide is if Monzo should reasonably have done more to protect his account.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

Broadly speaking, the starting position in law is that an account provider is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the terms and conditions of the account. And a customer will then be responsible for the transactions that they have authorised.

It's not in dispute here that Mr B authorised the payments in question as he believed they were part of a legitimate investment. So, while I recognise that Mr B didn't intend the money to go to scammers, the starting position in law is that Monzo was obliged to follow his instruction and process the payments. Because of this, Mr B is not automatically entitled to a refund.

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. So, I've also thought about whether Monzo did enough to try to keep Mr B's account safe.

Monzo has pointed out that this was a new account, so there was no genuine account activity to compare the scam payments to. And I have taken this into consideration when reviewing the complaint. But I also have to consider that Mr B was sending funds to a company that identifiably deals with crypto assets, via a newly opened account, and was doing so in increasing amounts. These are all indicative of a pattern of fraud, and I think in July 2023, Monzo should reasonably have been more aware of the risks associated with payments related to crypto currency so should have identified that there was a higher risk associated with the payments on Mr B's account. Because of this, even considering the fact this was a new account, I think Monzo should have carried out a staff intervention on the first £5,000 payment.

Monzo has said that they don't think the loss could have been prevented if they had intervened sooner and they've raised the fact that two other banks had already informed Mr B he was at risk of financial harm. But it is difficult for me to agree that a phone call would not have resulted in further payments not being made towards the scam, as this is what happened following the later phone call with the Monzo fraud team.

I've listened to the call that occurred on 26 August 2023, and I think the call handler asked the right questions to be sure that Mr B was the victim of a scam and they confirmed this at multiple points in the call. The questions Mr B was asked would also have been relevant at the first £5,000 payment, so I think it's more likely that had Monzo intervened at the first £5,000 payment, the call handler would have been able to ascertain that Mr B was the victim of a scam and been able to clearly explain this to Mr B. Because of this, I think it's more likely Monzo would have followed the same process had they intervened on the first £5,000 payment and refused to process it and, if necessary, frozen his account to prevent further payments being made.

As mentioned previously, Mr B had attempted to make payments towards the scam using

other accounts in his name before opening the Monzo account and he was honest about this in the phone call on 26 August. So, I think Monzo would have had similar concerns about the possibility of him continuing to make payments towards the scam following the first £5,000 payment and this would have been grounds to freeze the account at that point.

Mr B has said that he realised he had been the victim of a scam following Monzo's intervention and he followed their advice to call the police. He was referred to Action Fraud and was advised to contact our service but had to finish the complaint process with Monzo first. So, I do think the intervention on August 26 made Mr B realise he had been the victim of a scam and he then took action to protect himself against future payments. Because of this, as mentioned previously, it is difficult for me to agree that a staff intervention for the first £5,000 would also not have resulted in the scam being revealed

Monzo has said there should be an onus on Mr B to protect himself from the scam as they felt he had been negligent when he continued to try and make payments with Monzo after other third-party banks had refused to process them. And this is something that I have considered in this case. In doing so, I do agree that Mr B has not acted as a reasonable person would to protect himself from the fraud, so I think a reduction in the redress would therefore be reasonable in the circumstances.

Mr B did not receive any paperwork about the investment and was led to believe he had received significant returns on his deposits. Even after he was warned by other institutions, he still carried on with payments via Monzo so on balance, I think he could have taken steps to protect himself against the scam. With this in mind, I think a reduction in the redress of 50% would be fair in the circumstances.

I currently think that Mr B's complaint should be upheld in part and that Monzo should reimburse him from the first £5,000 payment onwards. As explained above, I think it can reduce the redress by 50% to account for Mr B's contributory negligence. It should also add 8% simple interest from the date of the transactions to the date of settlement.

Both Monzo and Mr B responded to my provisional findings and accepted my recommendations.

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.

As both parties have accepted the findings set out in my provisional decision, I see no reason to deviate from them. With this in mind, I uphold Mr B's complaint in part and direct Monzo to reimburse him from the first payment of £5,000 onwards. The redress can be reduced by 50% to account for Mr B's contribution to the loss. Monzo should also add 8% simple interest to the redress from the date of the transactions to the date of settlement. Monzo can deduct income tax from the interest if it is required to but should give Mr B a tax deduction certificate if asked for one.

My final decision

I uphold Mr B's complaint in part and recommend that Monzo Bank Ltd pay the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 16 July 2024.

Rebecca Norris
Ombudsman