

The complaint

Mr K complains that Monzo Bank Ltd (Monzo) won't refund money he lost in an investment scam

What happened

What Mr K says:

Mr K was contacted by someone via a business social media website – on 8 July 2023. The person said she was in the jewellery business and began to establish a conversation with Mr K. The communications moved onto WhatsApp.

The scammer said she had made a lot of money trading in crypto mining and recommended using an investment company (which I will call 'A').

Mr K had no experience of crypto trading. He says he researched company A and found its website looked professional. He decided to begin trading, with the scammer guiding him how to do so. He set up a crypto wallet and two payments were made to it and then onto A. After the first payment of £1,000, the website showed he was making profits and he then made another, larger payment of £7,200 – as shown.

Date	Payment	Amount
21 July 2023	Faster payment / mobile phone – crypto wallet	£1,000
31 July 2023	Faster payment / mobile phone – crypto wallet	£7,200
Total loss		£8,200

The scammer tried to get him to put in another £100,000 – and after he said he couldn't afford to, tried to get him to sell a property to raise the money.

He was shown he had made a 'profit' of £10,000, and he asked to withdraw it. He was told he had made an error in the withdrawal process, and to get the money back he needed to pay another £10,000. He then realised he had been scammed. He reported the scam to Monzo on 12 October 2023.

Mr K says he was vulnerable at the time of the scam, as he was suffering from an anxiety disorder which affected his decision making. But he says he didn't tell Monzo about that.

As a result of the scam, Mr K lost his, and his wife's savings. He was saving this money to prepare for his children's futures, and he now had to begin building it up again. It has caused pressure on his marriage and stress on the family.

Mr K says Monzo should've done more to protect him. The payments followed a known pattern of scam activity and there wasn't any intervention by the bank. He says Monzo should refund the money to him, plus 8% per annum interest and compensation of £250.

What Monzo said:

Monzo didn't issue a final response as Mr K brought his complaint to us directly, via his representatives. In their evidence to us, Monzo argued that a refund wasn't reasonable as:

- The Contingent Reimbursement Model ('CRM Code') didn't apply as Monzo hadn't signed up to it. But the bank considered Mr K's case under its principles.
- The losses on the scam took place when the money left Mr K's crypto wallet, not when the payments were made from the Monzo account.
- The payments weren't suspicious enough to warrant intervention. Mr K was paying a trusted payee known to Monzo.
- Monzo can't be expected to intervene in every payment.
- The payments were authorised by Mr K and paid by Monzo as legitimate ones.
- Mr K had made large payments prior to the scam payments – including a near £6,000 payment. The payment of £7,200 wasn't so unusual to warrant intervention.
- A fair amount of time passed between the two payments, suggesting Mr K was satisfied with the first one.
- And there wasn't an obvious scam pattern – because of the time between payments.
- There wasn't any evidence that Mr K did any reasonable due diligence.

Our investigation so far:

Mr K brought his complaint to us. Our investigator upheld it – he said the second payment should've been questioned by Monzo. The amount was greater than other payments Mr K made previously. And it was to a known crypto currency platform.

If Monzo had intervened, it would've been revealed he had been contacted via social media about an investment opportunity. A meaningful scam warning could've been given and the scammer's spell likely broken.

He didn't consider there was any contributory negligence – he couldn't find any reference to company A at all.

Our investigator said Monzo should refund £7,200 plus interest at 8% per annum and pay compensation of £150.

Mr K accepted that. But Monzo didn't agree and asked that an ombudsman look at the complaint, and so it has come to me to do that.

I issued a provisional decision which didn't uphold Mr K's complaint:

I'm sorry to hear that Mr K has lost money in a cruel scam. It's not in question that he authorised and consented to the payments in this case. So although Mr K didn't intend for the money to go to a scammer, he is presumed to be liable for the loss in the first instance.

So, in broad terms, the starting position at law is that a bank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. And I have taken that into account when deciding what is fair and reasonable in this case.

But that is not the end of the story. Taking into account the law, regulators rules and guidance, relevant codes of practice 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 banks are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps, or make additional checks, before processing a payment, or in some cases declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

I need to decide whether Monzo acted fairly and reasonably in its dealings with Mr K when he made the payments, or whether it should have done more than it did. I have considered the position carefully.

The Lending Standards Board Contingent Reimbursement Model Code (CRM Code) provides for refunds in certain circumstances when a scam takes place. But – it doesn't apply in this case. Monzo hasn't signed up to the Code, but they follow its principles.

That said, the Code applies to faster payments made to another UK beneficiary– and in this case, the payments were made by Mr K to his own crypto wallet. So it doesn't apply in this case. I have therefore looked at this complaint using general 'Authorised Push Payment' considerations.

The important matter here is whether this were payments that Monzo might reasonably have considered unusual, and therefore whether they should've held or stopped the payments and contacted Mr K about them.

I looked at Mr K's account activity for the 12-month period leading up to the payments in question. And he did make regular and large payments every month:

July 2022: £5,000.
 August 2022: £1,000.
 September 2022: £5,909; £3,000; £2,000.
 October 2022: £5,000, £1,700.
 November 2022: £5,000.
 December 2022: £5,000.
 January 2023: £4,000.
 February 2023: £4,300, £1,000.
 March 2023: £4,000.
 April 2023: £4,000.
 May 2023: £4,000.
 June 2023: £4,000.
 July 2023: £4,000 (just prior to the scam payments).

So, I consider that in the context of the way in which Mr K used his account, the first payment of £1,000 was not unusual. And so, Monzo didn't need to intervene and question it.

I then thought about the second payment for £7,200 – where there is more of a balanced decision to be made. It was a little larger than the prior payments I've listed – but not significantly so. And Mr K had made regular and large payments totalling about £60,000 (as listed) in the previous 12 months.

And – the two payments were ten days apart and didn't drain Mr K's account of funds (which are typical scam characteristics) – he had a credit balance remaining of £1,075 after the first payment, and £814 after the second one.

And so, given all of this, I don't think I can reasonably expect Monzo to have intervened in the second payment either.

I must bear in mind - there's a balance to be made; Monzo has certain duties to be alert to fraud and scams and to act in their customers' best interests, but they can't be involved in every transaction as this would cause unnecessary disruption to legitimate payments.

Therefore, in this case, I think Monzo acted reasonably in processing the payments – I don't think that I could reasonably say that Monzo should have stopped the payments for further checks.

Mr K has made the point that he was vulnerable at the time of the payments, and his judgment not what it normally was – but he's also said he didn't tell Monzo about that. So, I don't think I can expect Monzo to have taken account of that.

Therefore, I don't hold Monzo liable to refund the money to Mr K.

Recovery: We expect firms to quickly attempt to recover funds from recipient banks when a scam takes place. I looked at whether Monzo took the necessary steps in contacting the bank that received the funds – in an effort to recover the lost money. I couldn't see that they'd contacted the provider of Mr K's crypto wallet – but I'm persuaded that had they done so, no funds would've remained – as he'd moved them into the fake trading platform.

I'm sorry Mr K has had to contact us in these circumstances. I accept he's been the victim of a cruel scam, but I can't reasonably hold Monzo responsible for his losses here.

Responses to the provisional decision:

Monzo made no comments, but Mr K did (via his representatives). He said (in summary):

- The scam followed a well-known route of grooming a consumer and setting up accounts with genuine cryptocurrency companies under the guise of a trading platform.
- The previous high value payments were to Mr K's own bank account, where the scam payments were to new payees with links to cryptocurrency.
- If Monzo had intervened, the information as to how Mr K had come into contact with the scammer would've come to light and the scam uncovered.
- Monzo should've intervened and asked probing questions.
- So, Mr K argues that the payments (certainly the larger one) should be refunded.

I now need to review these arguments and make 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.

I've reviewed what Mr K has further argued and gone through his complaint and evidence again – to ensure I have considered all the circumstances here. And on balance, I am not

going to uphold his complaint.

Should Monzo have intervened?

I considered again whether it's reasonable to have expected Monzo to have intervened in the payment of £7,200.

- On the one hand, there were previous regular high value payments of just less than the scam payment of £7,200. And – the two payments were ten days apart – which is not a typical scam pattern.
- But on the other hand, the payment of £7,200 was to a new payee and was funded by credits to the account of £2,000 and £3,000, which may have indicated a fraudulent pattern. And I noted that Monzo didn't send any sort of warning messages to Mr K either.

But on balance, I'm not persuaded that it's reasonable to have expected Monzo to have stopped the payments – for the reasons I've explained in the provisional decision.

If Monzo had intervened, would it have made a difference?

But I then went on to consider what would've happened had Monzo intervened and contacted Mr K about the payment – would it have made a difference? Would the 'spell' have been broken and would Mr K have not made the payment?

I looked at the WhatsApp messages again. And for me, it's clear that Mr K was completely taken in by the scammer and trusted her.

There are many examples, but I quote some.

- Leading up to the payment of £7,200, I can see he called her his "teacher" and "mentor" many times. He referred to her as "Master xxx" and "Teacher xxx" many times. He said he was *"proud to have you as a friend and trusted mentor"*.
- And when the scammer was 'teaching' Mr K about bitcoin investing, he said *"I really can't thank you enough for your time and effort to support me..."*
- I also noted that it was Mr K who initiated contact with the scammer most days (early in the morning UK time) – so that suggests he was keen to go ahead and was committed to the scammer.
- I can also see how the scammer coached Mr K what to say to Monzo if the payment was blocked.

Therefore, on the balance of the evidence I've seen, I don't think Monzo could've broken the spell that Mr K was under - even if they'd intervened.

And so, having reviewed everything again, my final decision is that I do not uphold this complaint.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 27 June 2024.

Martin Lord
Ombudsman