

## The complaint

Miss T is complaining that Monzo Bank Ltd won't reimburse her for payments she made to a scam.

The complaint is brought on Miss T's behalf by a professional representative.

## What happened

The background to the complaint is well known to both parties so I won't repeat it in detail here.

In summary, in late 2023 Miss T fell victim to an investment scam after seeing an advert endorsed by a celebrity on social media. She filled in an online enquiry form and was contacted by the scammer, who helped her to set up a cryptocurrency wallet, and to open what appeared to be a trading account on the scam website.

Miss T made the following payments to the scam. They were made to a cryptocurrency exchange from her account with Monzo, by faster payment (via open banking.)

Date	Amount
5 October 2023	£20
18 October 2023	£100
24 October 2023	£1,000
31 October 2023	£1,900
2 November 2023	£1,950
2 November 2023	£1,955
2 November 2023	£4,450

Miss T also received returns from the scam on 16 October 2023, 18 October 2023 and 24 October 2023, which totalled £1,102.10.

Miss T realised she'd fallen victim to a scam a few hours after making the final payment. She reported the scam to Monzo. She also raised a complaint through her representative.

Monzo looked into what had happened but replied to say it wouldn't be refunding the payments, so Miss T brought her complaint to us.

Our investigator looked into Miss T's complaint. He said, in summary, that he thought Monzo could have prevented Miss T from making any further payments from the second payment she'd made on 2 November 2023. He didn't think Miss T should share responsibility for her loss. He thought Monzo should refund the last two payments she made to the scam, with interest at 8% simple per year.

Monzo disagreed with the investigator's view. It said, in summary, that it was confident the payments weren't fraudulent as they were going to another account in Miss T's name, and it didn't consider it should be held liable for a loss that didn't occur directly from Miss T's account with it. It said Miss T was investing in a legitimate cryptocurrency platform and it

would be inappropriate for Monzo to apply friction each time a customer uses a cryptocurrency platform. It also questioned whether the investigator had seen evidence of the scam advert, the celebrity endorsement, or the scam website in order to say they were convincing.

Miss T accepted the investigator's view.

Because the parties didn't agree, Miss T's complaint was passed to me for review and a decision.

After reviewing the complaint, I contacted Monzo to attempt to resolve things without the need for a final decision. This is what I said:

*"I've taken on board what Monzo has said in response to our investigator's findings, but I don't consider it alters the position. Monzo ought now to be very much aware of our approach to such cases where funds were sent initially to the customer's own account with another business and later lost to a scammer. And that where the funds were ultimately lost from the other business, this doesn't mean Monzo can't be held responsible for failing to properly intervene.*

*Turning to the point of shared liability, I do think this is quite finely balanced. However, the investigator has spoken directly to Miss T about how she became involved in the scam and her account was convincing - I can't see any reason to doubt that the circumstances she described were genuine. She has also sent us communications between herself and the scammers which do appear to be reasonably professional in tone and presentation. Miss T has also sent us an "insurance certificate" she received which appears to show that her money is safe, and I would say that in my view this would also look broadly convincing to someone without much experience of genuine investments. Miss T saw the advert for the scam on a social media site, and I think a reasonable person might expect such adverts to be vetted in some way before being published. I wouldn't necessarily expect Miss T to be able to provide a screenshot or link to the advertising video she saw now. But we do know as a general point that the advertising and endorsement materials for this sort of scam can appear to be very convincing."*

Monzo replied briefly to say it still thought its stance was correct. It pointed out that it did have robust fraud controls in place, but they simply didn't recognise these payments as fraud. It asked me to proceed with issuing a 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.

Having done so, I'm upholding it and for broadly the same reasons as our investigator.

Broadly speaking, Miss T is responsible for any payments made from her account which are properly authorised, as they were here. And Monzo has a duty to process valid payment instructions quickly and with minimal friction. These positions are set out in the Payment Service Regulations (2017) and confirmed in Miss T's account terms and conditions.

However, taking into account the relevant law, regulations, industry guidance, and best practice, firms like Monzo ought fairly and reasonably to have systems in place to monitor transactions and accounts for signs that its customer might be at risk of financial harm through fraud. Where such risks are detected, there ought to be action from the bank to

intervene through the giving of warnings and scam education. And Monzo can intervene on open banking payments for fraud detection and prevention purposes the same as it would with any other faster payment that displays risk factors. Any intervention should be proportionate to the risk presented by the circumstances of the payment.

By October 2023 Monzo should also have acted to avoid causing foreseeable harm to customers, for example by maintaining adequate systems to detect and prevent scams and by ensuring all aspects of its products, including the contractual terms, enabled it to do so.

Monzo should also have been aware of the increase in multi-stage fraud (including those involving cryptocurrency) when considering the scams that its customers might become victim to. Multi-stage fraud involves money passing through more than one account under the consumer's control before being sent to a fraudster. Our service has seen a significant increase in this type of fraud over the past few years and it's a trend Monzo ought fairly and reasonably to have been aware of at the time of the scam.

Scams involving cryptocurrency have also increased over time. The FCA and Action Fraud published warnings about cryptocurrency scams in mid-2018 and figures published by the latter show that losses suffered to cryptocurrency scams have continued to increase since. They reached record levels in 2022.

I think Monzo would have been aware at the time these payments were made, in October and November 2023, that fraudsters use genuine firms offering cryptocurrency as a way of defrauding customers and that these scams often involve money passing through more than one account. So, Monzo ought to fairly and reasonably be alert to whether these payments were part of a wider scam.

The fact that the money used to fund the scam wasn't lost at the point it was transferred to Miss T's own account does not alter the fact that I think Monzo can fairly be held responsible for Miss T's loss in such circumstances. I don't think there is any point of law or principle that says that a complaint should only be considered against the business that is point of loss.

Where there is a failure by a firm to properly intervene and protect a customer, it might then be fair and reasonable to say that firm becomes responsible for the customer's loss. And so, in Miss T's case, it's for me to determine if Monzo made an error(s) over the course of the scam and, if so, whether it's fair and reasonable for it to be held responsible for Miss T's losses as a result.

Our investigator found that Monzo ought to have stepped in to question what was happening at the time Miss T made the second payment on 2 November 2023. I agree that the payment activity had become sufficiently unusual by that point to warrant intervention, given the developing pattern of the payments and the combined value of the funds sent – as well as the destination being cryptocurrency, which I think would have been identifiable to Monzo (and Monzo has argued that it didn't intervene here because it would be inappropriate to apply friction each time a customer uses a cryptocurrency platform, so it seems it's not disputing that it was aware of the destination.)

I consider that a proportionate intervention from Monzo here would have been for it to ask Miss T a series of questions to narrow down the specific scam risk, and provide a tailored warning which covered off the key features of the scam risk it had identified.

Of course, any such warning relies on the customer answering questions honestly and openly, but I think Miss T would have been open and honest about the circumstances of this payment had Monzo intervened. She hasn't told us that she'd been coached in how to mislead Monzo had they intervened with questions about the circumstances of this payment and I've seen no evidence that she was in the correspondence I've seen. She also explained

that she would have been honest with Monzo about what was happening because at that point she still believed everything was above board, and I am persuaded by this. And I think that a warning provided by Monzo, alerting her to the key features of the type of scam she was falling victim to, would have resonated with Miss T – because so much of what she'd experienced was typical of similar scams, which would have been highlighted to her in a warning. Taking this into account, I think, she's likely to have decided not to go ahead with the last two payments, had such a warning been given.

I'm therefore satisfied Monzo can be fairly and reasonably held responsible for Miss T's loss of the last two payments she made to the scam.

The investigator has explained why he doesn't feel Miss T should share liability for her loss under the principle of contributory negligence. As I've set out above, I have already explained to Monzo why I agreed with the investigator on this point, and it didn't have any further comment, so it's not clear whether it continues to dispute this.

However, to summarise, I don't think it would be fair for Miss T to share responsibility for her loss, for the following reasons:

- I'm satisfied that Miss T fell victim to a sophisticated investment scam advertised by a celebrity "deepfake" video on social media – and it's not unreasonable for someone unversed in the nature of these sorts of scams to think such adverts had been vetted in some way before appearing. Miss T says she didn't carry out any initial online checks about the investment, as she was initially fully persuaded by the celebrity endorsement and trusted that celebrity - and I note that later, when she began to invest, she'd built a relationship of trust with the scammer. I don't consider that a failure to carry out online research in these particular circumstances amounts to negligence.
- From what we know of these scams the websites often appear to be professional and convincing, so I can understand why Miss T thought it was genuine.
- The communications from the scammer, and the supporting documents Miss T received about the alleged investment, also appeared broadly professional and convincing.
- I don't consider that there were any clear "red flags" in the correspondence that I'd have expected to have caused Miss T to be concerned about whether the investment was genuine such that it ought to have prompted her to investigate the investment company further - prior to her being asked to take out a loan to fund the investment.
- Although Miss T was asked to take out a loan to fund the investment which could be viewed as something she should have been concerned about, from listening to Miss T's testimony I can understand why she still thought the person she was speaking to was genuine – the scammer had built up a relationship with her through messages and phone conversations for over a month before Miss T began to invest, and Miss T said she felt "hypnotised" by them.
- Miss T received fairly substantial returns from the scam which would have reinforced her belief that it was a genuine investment.

### **Putting things right**

I've found that Monzo Bank Ltd ought to have prevented the final two payments to the scam which were made on 2 November 2023 and detailed in the payment table above.

To put things right, Monzo Bank Ltd should refund these payments to Miss T. It should also apply interest at 8% simple per year from the date the payments were made to the date of settlement (less any tax lawfully deductible.)

### **My final decision**

My final decision is that I uphold this complaint for the reasons I've explained. Monzo Bank Ltd should put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 19 March 2025.

Helen Sutcliffe  
**Ombudsman**