

## The complaint

Miss G complains that Monzo Bank Ltd won't refund money she lost when she was a victim of an investment scam.

Miss G is represented by a firm I'll refer to as 'C'.

## What happened

The background to this complaint is well known to both parties and so I'll only refer to some key events here.

At the beginning of 2022 Miss G joined a Facebook group for investing. She received a message on Facebook from an individual that we now know worked for a scam firm. The scammer told Miss G they could invest on her behalf, for which they would take a 20% commission from the profits – which Miss G felt was fair.

Their communication then moved to WhatsApp and the scammer directed Miss G to set up an account on an illegitimate trading platform, along with wallets with various genuine crypto exchanges. Miss G went on to make various payments to the scam from her Monzo bank account, via the crypto exchanges, for investment purposes and to pay withdrawal fees. The relevant transactions are:

| Date              | Transaction type | Payee | Amount          |
|-------------------|------------------|-------|-----------------|
| 9 April 2022      | Debit card       | 'L'   | £21             |
| 9 April 2022      | Faster payment   | 'CC'  | £9,000          |
| 12 April 2022     | Faster payment   | 'CC'  | £7,000          |
| 20 June 2022      | Faster payment   | 'U'   | £38,000         |
| 24 June 2022      | Faster payment   | 'U'   | £10,300         |
| 27 June 2022      | Faster payment   | 'P'   | £180            |
| 17 September 2022 | Faster payment   | 'P'   | £1,755          |
| 17 September 2022 | Faster payment   | 'P'   | £10             |
| 21 October 2022   | Faster payment   | 'U'   | £45,700         |
| 21 October 2022   | Faster payment   | 'U'   | £12,300         |
| 3 November 2022   | Faster payment   | 'U'   | £43,000         |
| 21 November 2022  | Faster payment   | 'U'   | £15,409         |
| 22 November 2022  | Faster payment   | 'U'   | £350            |
| 14 April 2023     | Faster payment   | 'U'   | £9,300          |
| 21 April 2023     | Faster payment   | 'U'   | £10,000         |
| 22 April 2023     | Faster payment   | 'U'   | £10,000         |
| 26 April 2023     | Faster payment   | 'U'   | £8,200          |
| <b>Total</b>      |                  |       | <b>£220,525</b> |

Miss G's Monzo account statements show she received the following credits from the crypto exchanges - £1,547.20 on 15 April 2022, £14.50 on 12 May 2022, £90 on 23 June 2022, £85.21 on 26 June 2022 and £4.23 on 27 June 2022.

Miss G realised she'd been scammed when the scammer(s) ceased contact with her. She contacted Monzo on 18 May 2023 to notify them she'd been the victim of a scam. Monzo considered the fraud report but declined it. They said the payments sent from Miss G's Monzo account weren't the scam transactions but rather, the fraudulent payments were sent from Miss G's crypto accounts. Because of this, Monzo said the crypto exchanges would need to investigate and refund where appropriate.

C complained, on Miss G's behalf, to Monzo on 24 August 2023 saying the payments were made as part of a scam. In short, they said:

- When setting up the trading account, Miss G had to provide her contact information, address and proof of identification. Having to provide KYC credentials reassured Miss G that she was dealing with a legitimate firm. The scam platform also looked genuine to Miss G and she could see the firm was based in London which reassured her further.
- The £9,000 payment wasn't blocked by Monzo despite the account only being recently opened. Monzo ought to have done this considering there wasn't any prior account activity to show Miss G's usual spending habits. And so, Monzo ought to have questioned Miss G about this payment to protect her from financial harm – including whether she had a broker working on her behalf and if she'd met them in person.
- Miss G did see a warning prior to sending the £9,000 payment but this was easy to dismiss and not tailored to the risk of investment scams.
- Monzo didn't contact Miss G to discuss any of the transactions between April and November 2022. This is despite the sudden increase in spending and the immediate deposit and distribution of funds from the account, as well as the setting up of four new payees all linked to crypto. Monzo therefore failed to question and probe Miss G about these payments to ensure she wasn't at risk of financial harm.
- One of the four April 2023 payments was blocked by Monzo, and Miss G was asked if she'd made the payment and who it was going to. But despite Miss G telling Monzo the payment was to settle an investment; the payment was released without further questioning – even though the account hadn't been used for the five months prior and had suddenly been used for crypto purposes again.
- Miss G was only contacted once, and towards the end of the scam, despite there being clear indications of fraud on a newly opened bank account. Whereas Miss G should've been contacted about the £9,000 payment on 9 April 2022 as it was high value and linked to crypto.
- Monzo ought to have asked effective and probing questioning about the payment. And given Miss G hadn't been given a cover story or told to lie about the real reason for the payment, had Monzo questioned her effectively, Miss G would've been open and honest thereby allowing Monzo to prevent the scam.
- Monzo ought to have contacted Miss G to challenge the authenticity of each payment. They didn't do this. And it was an outrageous failure in their duty of care towards Miss G that Monzo didn't speak with her to make sure she'd made the payments totalling over £220,000 – thereby allowing the funds to leave the account unchecked.

- To settle this complaint, Miss G would accept a full reimbursement of her losses, 8% interest and £300 compensation.

Miss G's complaint was referred to the Financial Ombudsman. Our Investigator didn't however think Monzo had to do anything further. He said Miss G's interaction with the scammer – from their WhatsApp conversation – showed she was under their spell from the beginning of the scam as she agreed not to disclose their existence to Monzo. And he noted that Monzo provided Miss G a fraud warning on several occasions regarding limit increases, including on 9 April 2022, which explained the risk of it being a scam if someone had asked her to increase it. Our Investigator felt this should've put Miss G on notice that the investment may not be legitimate.

Our Investigator further added that Monzo did intervene on 9 November 2022 to ask Miss G about the payments she'd made to U to ensure they were legitimate, and to provide her with some red flags for her to be aware of. But despite this, he said Miss G didn't relay the true version of events to Monzo as she didn't disclose the scammer's involvement or that they were investing on her behalf. He also thought the red flags Monzo shared with Miss G should've raised concern and highlighted the likely illegitimacy of the investment. This was because he considered the red flags to be appropriate and explicit enough for her circumstances. And so, our Investigator thought any intervention from Monzo at any point of the scam would've likely been ineffective – as the scammers had shown an ability to coach Miss G into adopting their approach when answering Monzo's questions, and due to her ignoring relevant scam red flags that clearly applied to her situation. Our Investigator also didn't think Monzo could've reasonably recovered Miss G's funds.

C disagreed and asked for our Investigator to reconsider their position. In short, they said:

- Miss G believes earlier intervention would've made a difference.
- They don't think Monzo should get away with not intervening on payments she made due to their value. The second payment Miss G made, for £9,000, ought to have prompted the bank to intervene and question it. Monzo also should've intervened before processing further payments – such as the £38,000 payment made a few days later, or the subsequent payments that were over £40,000. Miss G says she would've listened to Monzo at the time and wouldn't have proceeded had this happened.
- It is Monzo's duty to intervene on such payments – as they were high value and to risky crypto payees (associated with fraud) – and it is more than possible Miss G wouldn't have gone ahead with the payments.
- Miss G denies being coached by the scammer but says she was taking their advice as she was an inexperienced investor.

Our Investigator considered C's points but his opinion remained the same. He reiterated that Miss G had agreed to mislead Monzo and provided examples whereby she had given misleading answers to the bank along with ignoring appropriate and explicit investment warnings they provided to her. And he said that it's not enough to say that the spell Miss G was under could've been broken earlier – but, importantly, given it wasn't broken later in the scam when an appropriate warning and intervention happened, why would it have been? Our Investigator also considered there was clear evidence that Miss G had been coached in the early messages with the scammer.

C requested the matter be referred to an Ombudsman and so, this complaint has been passed to me to decide. In short, C added:

- While they acknowledge the observation Miss G was under the scammer's influence, it is crucial to recognise the psychological manipulation employed by the scammer. The scammer's direction to mislead the bank is a common tactic used to isolate victims and prevent intervention. And Miss G's compliance with the scammer's instructions to not disclose their involvement demonstrates she was a victim of coercive control.
- The Investigator's outcome points out that Monzo provided warnings and intervention on one occasion. These efforts were evidently insufficient to break the scammer's influence over Miss G. And given the sophisticated nature of the scam and Miss G's vulnerabilities, Monzo's standard warnings and the approach they took wasn't adequate. Their responsibility extends beyond providing generic warnings – especially in light of the high-risk nature of crypto investments.
- The Investigator's outcome says Miss G should've recognised the warnings provided by Monzo as red flags. But it fails to consider the depth of the scammer's psychological grip on her – with scammers known to create a sense of urgency and fear that can cloud a victim's judgement, thereby making it difficult to recognise or act on such warnings.
- The warning Monzo provided to Miss G about account limit increases happened after the scammer asked her to increase her limit. While the warning was pertinent, the timing wasn't proactive. An effective fraud prevention system should detect and act upon such requests more promptly.
- The Investigator's outcome says the chargeback process doesn't cover scams and suggests a chargeback against the crypto exchange(s) wouldn't have been successful – which they accept. But considering the payment was to a legitimate exchange, Monzo had an opportunity to question the sudden and significant transaction – potentially halting the funds before they reached the scammer.
- While Miss G did interact with the scammer under the guise of a legitimate investment, Monzo had multiple opportunities and indicators to provide more than standard warnings. And Monzo's actions didn't reflect the level of vigilance or proactive measures required to protect Miss G from the scam.

### **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'm sorry Miss G has been the victim of a scam and I don't underestimate the impact this has had on her and her family – as I'm aware that, to fund the scam, family members have lent her money and even taken out finance to do so. I therefore want to reassure Miss G that I've given careful consideration to her complaint and all the points put forward by C on her behalf. If, however, I don't mention a particular point, it's not because I haven't considered it but I've focussed instead on what I believe to be important to the outcome of this complaint. And here, I must consider whether Monzo is responsible for the loss Miss G has suffered. I know this won't be the outcome Miss G is hoping for but, for similar reasons as our Investigator, I don't think they are. I therefore don't think Monzo has acted unfairly by not refunding the payments. I'll explain why.

I've thought about the Contingent Reimbursement Model (CRM) code which can offer a potential means of obtaining a refund following scams like this one. These payments aren't however covered under it. This is because the CRM code doesn't cover debit card payments or payments made to an account held in a person's own name. I've therefore considered whether Monzo should reimburse Miss G under any of their other obligations

In broad terms, the starting position in law is that a bank is expected to process payments that their customer authorises them to make. It isn't disputed that Miss G knowingly made the payments from her account – albeit under the direction of the scammer – and so, I'm satisfied she authorised them. Therefore, under the Payment Services Regulations 2017 and the terms of her account, Monzo are expected to process Miss G's payments and she is presumed liable for the loss in the first instance.

However, taking into account the regulatory rules and guidance, relevant codes of practice and good industry practice, there are circumstances where it might be appropriate for Monzo to take additional steps or make additional checks before processing a payment to help protect customers from the possibility of financial harm from fraud.

Here, Monzo provided a new payee warning for the first payments sent to CC, U and P. It said:

*"Could this payment be to someone trying to scam you? If you have any doubts (for example you don't personally know the recipient), get some advice. Bear in mind that once you make a payment, it's almost impossible for us to get the money back."*

They also provided the following payments warning:

**"Could someone be trying to scam you?"**

*Stop if:*

- X     *You were told your account is at risk, to make an unexpected payment, or to take out a loan*
- X     *The offer sounds too good to be true*
- X     *You haven't double checked who you're paying*
- X     *You were told to ignore warnings like this..."*

Monzo also provided a transfer limit increase warning, from what I've seen, on six occasions during the scam due to multiple requests for it to be increased. This includes, following requests for the limit to be increased on 6 April 2022 that ultimately weren't actioned, the warning being provided on 9 April 2022. The warning said:

*"Finally, in an effort to help protect you against fraud, please note: a bank will never ask you to increase your limits and if they have, it may be a scam. If someone has asked you to increase your limits, including someone claiming to be from Monzo or another bank, please don't continue and let our team know instead so we can help with next steps."*

Monzo only contacted Miss G however, to discuss her account activity, on 9 November 2022. They said:

*"I can see that you have been recently in touch to increase your limits to invest in Crypto and have made some payments to U.*

*We just want to make sure the investments to U are legitimate and we have a some questions about this.*

*Investment scams are very common*

*We would like to you beware of unregulated investment brokers:*

*Red flags:*

*! Unsolicited cold calls, emails or social media private messages*

*! Pressure to invest immediately*

*! Claiming to be part of a regulated or legitimate exchange*

*! Refer to themselves as an "investment advisor", "broker", or "account manager"*

*! Provide "promotional" offers*

*! Offer "bonuses" to those who deposit larger amounts*

*! Do not allow you to fund your account directly. They will instruct you to create an account with a regulated exchange and transfer your crypto to their account.*

*! Demand you to pay a "tax", "fee", or "commission" to withdraw your profits*

*! Will require the use of Remote Access Software*

*! Unable to explain how they got your contact information*

*Here's how to check whether the investment you're being offered is legitimate or a scam:*

*X Legitimate investments never guarantee profit*

*X Legitimate investments aren't arranged over social media or messaging apps like WhatsApp*

*X Legitimate investment companies are registered with the FCA*

*X Scammers often convince customers that they have profited from an investment, but the customer needs to make a payment to release the winnings.*

*Scammers can fabricate websites to show fake earnings, please ensure you verify the legitimacy of any trading platform, and log in yourself.*

*X Scammers may ask you to open Crypto wallets and advise you to send the Crypto to a new wallet address.*

*If you've been asked to set up a new Crypto wallet or use one you already had, and are told to send money to the wallet, exchange for Cryptocurrency and then move it on to another wallet address, this is also likely to be a scam and you will not be able to get your money back.*

*X Scammers will often claim to work for genuine investment companies...”*

Monzo also asked Miss G the following questions (with Miss G’s answers in bold):

*“How were you first introduced to U?*

***I discovered them via the [crypto] platform.***

*Were you contacted out of the blue by someone claiming to be a broker or an account manager who has advised that they have recovered any lost investments on your behalf?*

***I can confirm that I have not been approached or coerced by any person or organisation claiming to be a broker or brokerage, who have advised they have recovered any lost investments. All investments and transactions are completed by myself with my full knowledge and approval and conducted in a safe and secure manner.***

*Do you have any emails, conversations, text messages with a specific person?*

***Yes, within the [crypto] platform.***

*Have you made any successful withdrawals from this investment, if so are you able to share any screenshots?*

***No, this is a crypto exchange platform.***

*Have you been asked to download any 3rd party software such as Anydesk or Teamviewer?*

***No, I have not been asked to download or install any remote tool software.***

*Do any of the above red flags feel familiar?*

***No.”***

I’ve thought about whether Monzo did enough to protect Miss G from the risk of financial harm – including whether they took appropriate steps, such as carrying out additional checks before processing payments, early enough in the scam. Having done so, I don’t think they did.

I think Monzo ought to have identified much sooner that there was a significant risk of Miss G potentially falling victim to a scam. The account was newly opened and so, Monzo didn’t have any prior account usage to establish whether the scam payments were out of character for Miss G. But the payments were being made for crypto purposes which, as Monzo are aware, carries a known fraud risk as crypto scams have unfortunately become more prevalent. And given the high value of some of these transactions, there was enough reason for Monzo to have suspected that Miss G could’ve been at risk of financial harm.

I therefore think it would’ve been appropriate, and proportionate to the identifiable risk, for Monzo to have contacted Miss G sooner than 9 November 2022 to discuss the purpose of the payments and to establish whether she was at risk of falling victim to a scam. This includes the £9,000 payment on 9 April 2022 but also subsequent payments of £38,000, £45,700 and £43,000. I don’t think the new payee warnings or transfer limit increase

warnings that Monzo provided before speaking with Miss G on 9 November 2022 were sufficient or proportionate to the risk.

While I consider Monzo didn't do enough to protect Miss G from the scam, this isn't enough for me to conclude that they're responsible for her loss. Instead, I need to be satisfied that Monzo's inaction or failure to carry out the additional steps or checks, which I would've expected before processing the payments, caused it. And so, I've gone on to consider whether, had Monzo acted as I would've reasonably expected here, this would've prevented Miss G suffering the loss she did.

When considering this I've taken into account Miss G's interaction with the scammer, as well her conversation with Monzo in November 2022. And the WhatsApp conversations between Miss G and the scammer show that, in April 2022, they directed her to increase her transfer limits with Monzo. During this time, the scammer tells Miss G how to respond to questioning from Monzo. This includes telling Monzo that she is only buying Bitcoin to sell later once the value rises, that she isn't making any investment and that she shouldn't mention them or the company to Monzo. Miss G repeatedly agrees to follow the scammer's instructions and confirms that she *"won't mention you or the company"* to Monzo.

Having carefully considered this, I'm satisfied Miss G was clearly under the spell of the scammer and placed a significant amount of trust in them – which, as C point out, could likely have been due to the manipulation techniques employed by the scammer. This however led to Miss G demonstrating a clear willingness to mislead Monzo to ensure she could invest with the scammer. And I consider the influence of the scammer over Miss G remains evident up until November 2022 when Monzo questioned her about her recent account activity. This is because Miss G failed to disclose that there was a third party involved but rather, she said *"all investments and transactions are completed by myself with my full knowledge and approval and conducted in a safe and secure manner"*.

Monzo also provided, at this time, a list of red flags relating to unregulated investment brokers, due to investment scams like this becoming more common, and ways for Miss G to check whether the investment she was being offered was legitimate or a scam. I think many of these red flags or checks were relevant to Miss G's situation and ought to have resonated with her. Particularly, the following:

- Red flags:
  - Unsolicited cold calls, emails or social media private messages
  - Do not allow you to fund your account directly. They will instruct you to create an account with a regulated exchange and transfer your crypto to their account.
  - Demand you to pay a "tax", "fee", or "commission" to withdraw your profits
- Here's how to check whether the investment you're being offered is legitimate or a scam:
  - Legitimate investments aren't arranged over social media or messaging apps like WhatsApp
  - Scammers often convince customers that they have profited from an investment, but the customer needs to make a payment to release the



winnings.

Scammers can fabricate websites to show fake earnings, please ensure you verify the legitimacy of any trading platform, and log in yourself.

- Scammers may ask you to open Crypto wallets and advise you to send the Crypto to a new wallet address.

If you've been asked to set up a new Crypto wallet or use one you already had, and are told to send money to the wallet, exchange for Cryptocurrency and then move it on to another wallet address, this is also likely to be a scam and you will not be able to get your money back.

Despite this, when Monzo asked Miss G whether any of the above red flags felt familiar, she said 'No'.

I again appreciate C's point that a scam victim's judgement can be impaired due to the scammer's psychological grip on them – thereby making it difficult for them to recognise or act on such warnings. But while that may be the case, I can't reasonably hold Monzo responsible for that. And I think Monzo, at the point of 9 November 2022, provided clear and relevant warnings that were appropriately tailored to crypto scams. Unfortunately, Miss G's non-disclosure of their being a third-party involved and denial that any of the red flags appeared familiar inhibited Monzo's ability to identify she was being scammed – or provide further relevant tailored scam warnings and advice.

Considering what happened when Monzo did question Miss G about her account activity in November 2022, and the clear influence the scammer had on her in the early stages of the scam, as shown by the WhatsApp conversation in April 2022, I'm not persuaded that Monzo could reasonably have prevented Miss G's losses. I think that, even if Monzo had appropriately questioned Miss G about the payments I've earlier referred to, and provided her with relevant crypto warnings sooner, it's more likely than not Miss G would've responded similarly to as she did in November 2022 – thereby preventing Monzo from becoming aware she was falling victim to the scam. It therefore follows that I don't think I can fairly conclude that Monzo's inaction or failure to carry out the additional steps or checks, which I would've expected before processing the payments, caused Miss G's loss.

I've considered whether, on being alerted to the scam, Monzo could reasonably have done anything more to recover Miss G's losses, but I don't think they could. This is because, although I wouldn't necessarily have expected Monzo to have contacted the payee's account provider to see if funds remained, as the funds were sent to an account in Miss G's control to which she'd already confirmed had been forwarded on as part of the scam, I can see Monzo did reach out. Unfortunately, however, no funds remained. And, in respect of the single debit card payment, the only possibly option for recovery was via a chargeback claim. But given the payment was for the purchase of crypto with a legitimate firm, I don't think a chargeback claim would have been successful as Miss G received the service she paid for.

I have a great deal of sympathy for Miss G and the loss she's suffered, as I appreciate it is a significant sum of money to her and will also impact her family greatly too. But it would only be fair for me to direct Monzo to refund her loss if I thought they were responsible – and I'm not persuaded that this was the case. For the above reasons, I'm not going to tell them to do anything further.

**My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 24 September 2024.

Daniel O'Dell  
**Ombudsman**