

The complaint

Ms D has complained that Monzo Bank Ltd won't refund the money she lost after falling victim to a scam.

Ms D is represented by a claims management company. For simplicity I will refer to Ms D throughout this decision, even when referencing what her representatives have said on her behalf.

What happened

In June 2023, Ms D came across an advert on social media which offered training in how to make money from trading. Ms D registered her interest and was contacted by someone claiming to work for this company, they told her to set up a cryptocurrency account and talked her through what she would need to do to begin trading. All the payments Ms D went on to make were from her bank accounts to this cryptocurrency account before being moved on to the 'trading platform'. Unfortunately, and unknown to Ms D, the trading platform was not legitimate, she was being scammed.

Ms D initially made a small deposit into the trading platform, saw some profits and so continued to make further payments. These payments were from an account she held with another bank, 'N'. After investing various amounts Ms D was apparently told she would need to perform 'liquidity checks' to prove she had funds available, and she made various payments to facilitate this, again from her account with N. Ms D was then told she'd have to make various 'test' payments, she then received several payments into her N account from third parties which she was told she had to send back via her cryptocurrency account. During this time Ms D also made a small payment to her cryptocurrency account from her Monzo account (for £10). Ultimately, N froze payments on Ms D's account and asked her for some information about what she was doing. Ms D responded explaining what the payments were for, but before N intervened any further, she then made a payment for £4,250 from her Monzo account to the scam, via her cryptocurrency account. This payment was funded by a loan the scammer had encouraged her to take out with Monzo.

Ultimately, Ms D realised that she had been scammed, and let Monzo know. But Monzo didn't think it was liable for Ms D's loss, primarily because she'd sent the money from Monzo to a cryptocurrency account in her own name, and so it said the loss had been from the cryptocurrency platform, not from Monzo. It also said that the payments had been made via Open Banking, and so it could not have intervened to provide any warning.

Ms D remained unhappy, so she referred her complaint to our service. Our investigator looked into things independently and upheld the complaint in part. They thought Monzo should have intervened at the time Ms D sent the payment for £4,250 and if it'd done so the scam could've been stopped at that point. But they also thought Ms D shared liability for the loss as there were aspects of the scam that should have flagged to her that something untoward was going on. They proposed that Monzo refund half of the money that was lost from that payment, plus interest.

Ms D accepted the investigator's findings, but Monzo didn't agree, so the complaint's been passed to me to decide.

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.

It's not disputed that Ms D authorised the payments that are the subject of this complaint. So as per the Payment Services Regulations 2017 (which are the relevant regulations in place here) that means Ms D is responsible for them. That remains the case even though she was the unfortunate victim of a scam.

Because of this, Ms D is not automatically entitled to a refund. But 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.

Taking the above into consideration, I need to decide whether Monzo acted fairly and reasonably in its dealings with Ms D, or whether it should have done more than it did.

I accept that there needs to be a balance between responding to potentially fraudulent payments and ensuring there's minimal disruption to legitimate ones. I also note that Monzo has said the payments were instructed via Open Banking, which it says meant it was unable to present a warning before they were authorised. But Monzo is required to exercise reasonable skill and care, pay due regard to the interests of its customer and follow good industry practice to help protect accounts. That includes monitoring accounts for payments that could indicate that its customer was at risk of financial harm. So Monzo needed to ensure it had systems in place to monitor Ms D's account for unusual transactions or other indications she may have been the victim of fraud. And I'm satisfied that as a payment service provider Monzo could have intervened in an Open Banking payment for fraud detection and prevention purposes, much like it would do with other Faster Payments that included the relevant risk factors. I don't agree that the FCA Technical Standards prevent Monzo from doing this.

And, in the circumstances of this case, I think the particular characteristics of the payment for £4,250 mean that it ought to have flagged to Monzo that something potentially untoward was going on, and so prompted Monzo to intervene.

Ms D's account had been opened only recently, and had a very limited account history against which Monzo could compare any new payments. However, a relatively large payment to a new payee associated with cryptocurrency, which had been preceded by a loan being paid into the account should, in my mind, have been an indication to Monzo that Ms D could be at risk of financial harm from fraud.

The Financial Conduct Authority (FCA) and Action Fraud have previously published warnings about cryptocurrency scams, so Monzo should've had a good understanding of the risk of these scams and how they work. I acknowledge that the payments in dispute here were made to a cryptocurrency account in Ms D's own name, via open banking, and so could be considered less risky overall to Monzo. However, just because a payment is to an account in the consumer's own name that does not mean it bears no risk at all, and I would still expect Monzo to keep an eye out for payments that bore hallmarks of potential fraud, even if those payments were made to another account belonging to their customer.

I say this because this kind of payment journey – where payments are made from an account with one bank, to accounts in the same consumer's name to buy cryptocurrency – is increasingly a feature of this kind of investment scam. And I would expect Monzo to have an awareness of how these scams operate and be aware of what it should be looking out for to help protect its customers.

With all this in mind, I think Monzo should have identified the likely risk to Ms D and provided her with a tailored scam warning relevant to the payments she was making – so including details of how cryptocurrency scams might work which would be likely to resonate with the situation Ms D found herself in. Had Monzo done this, and explained the risks Ms D was exposing herself to, then I consider it likely that the spell of the scam would have been broken and Ms D wouldn't have proceeded with any further payments.

Our Investigator felt that Monzo could have intervened further, and contacted Ms D directly to ask questions about the payment she was making. In the circumstances described above I don't necessarily agree that this further intervention would have been proportionate, but in any case I consider that a detailed tailored warning relating to cryptocurrency investment scams would have been likely to break the spell of this scam. The specific scam Ms D fell victim to bore many of the hallmarks we see across investment scams, and so any detailed warning would have very likely resonated with Ms D and stopped her from proceeding with the payment. With this in mind, I think Monzo could have prevented the losses Ms D incurred from the £4,250 payment and so should bear some liability for that loss.

But I've also thought carefully about Ms D's role in what happened. I do understand Ms D's reasons for making the payments. But I think she ought to have had some concerns along the way about what was happening. In fact, I can see from the records of her conversations with the scammer that she did have some concerns about the legitimacy of what she was being asked to do, but she nonetheless continued to make payments to the scammer. I also can't see that Ms D carried out reasonable due diligence before paying the scammers. For example, the returns Ms D was promised were not realistic, and there was no clear explanation of exactly why Ms D had to make all these payments.

So, I don't think I can hold Monzo solely responsible for Ms D's losses. I think Ms D should also bear 50% of the responsibility for those losses.

Lastly, I've considered whether Monzo should have done more to try to recover Ms D's money. But as the payments went to her own cryptocurrency account, there wasn't anything more I'd expect Monzo to do there.

Putting things right

To resolve this complaint, Monzo Bank Ltd should:

- Refund 50% of the £4,250 payment;
- Pay 8% interest on that amount from the date of the payment to the date of settlement.

My final decision

I uphold Ms D's complaint in part, Monzo Bank Ltd should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 28 November 2024.

Sophie Mitchell
Ombudsman