

The complaint

Mr G complains that Monzo Bank Ltd ('Monzo') won't refund the money he lost when he fell victim to a scam.

What happened

What Mr G says

Mr G says that he received a request to approve a card payment from his account with another bank. I'll refer to this bank as bank W in my decision. He declined the request and called bank W, which said it would cancel his card and send a new one. After he'd received a new card, Mr G received a further payment request but took no action.

A few weeks later, Mr G received a phone call from someone who claimed to be from bank W's expert fraud team. To prove he was from bank W, the representative told Mr G the last five transactions on his account. The caller then asked Mr G security questions bank W commonly asks. Mr G was told that following the previous attempted transactions his account was at risk and needed to be secured by moving funds to his Monzo account. The caller also told Mr G that he would be taking liability for the money in all his accounts while the process of securing them was taking place and that banks work together and can see information from other banks.

Mr G was told the caller would send a request for a £5,000 payment from his credit card with bank W and assured him that no funds would leave his account. Mr G received a notification within his usual thread with bank W that said a payment was being made to a beauty company. Mr G questioned this and was told this was an alias to ensure hackers didn't see that his account was being protected, and that the funds would instantly bounce back to his account. After this, the same process was followed to secure Mr G's Monzo account but this time there was a transaction of £6,570.

The money didn't bounce back though. Mr G asked the caller to send an email to prove who they were and says what he received wasn't convincing. He terminated the call and contacted Monzo and bank W to report the scam.

What Monzo said

Monzo didn't agree to reimburse Mr G's loss. It said Mr G didn't take enough steps to check who he was paying and what for. But Monzo felt the service it provided to Mr G fell short and paid him £75 compensation. It noted it took too long to reach an outcome and that there were gaps in the service provided in its chat. In particular, Monzo incorrectly blocked Mr G's card when he raised an unrelated query.

Mr G was unhappy with Monzo's response and brought a complaint to this service. He would like Monzo to reimburse him and to compensate him for the time taken to reach a decision and the lack of meaningful updates. Mr G noted that bank W reimbursed him promptly.

Our investigation so far

When Monzo sent its file to this service it offered a further £75 compensation (making a total of £150).

The investigator who considered this complaint recommended that Monzo reimburse Mr G in full together with interest and a further £150 compensation. He said Monzo failed to detect and prevent an unusual transaction and that Mr G didn't act negligently in following the scammer's instructions, so no deduction should be made from his award. Finally, the investigator said Monzo's delay in reaching a decision resulting in requests for updates caused Mr G distress which merited further compensation.

Monzo agreed that the scam transaction was out of character and offered to refund Mr G 50% of his loss. But Monzo felt Mr G was "grossly negligent" and should share responsibility for his loss for the following reasons:

- Mr G had no reasonable basis to believe that paying the merchant from his Monzo account would secure his account with bank W.
- The merchant Mr G's funds went to had no connection to Monzo, bank W, or Mr G. A bank would never ask a customer to pay a beauty retailer.
- Mr G was aware money was leaving his account, and he had no reason to believe it would be refunded.
- It's not possible that bank staff at bank W would have any information about Mr G's account with Monzo that hadn't been supplied by him.
- It's unreasonable of Mr G to believe that another bank would walk him through making a transaction on his Monzo account.
- The payment isn't covered by the Contingent Reimbursement Model Code (CRM Code) so there is no reason for Monzo to reimburse Mr G.

As Mr G's complaint couldn't be resolved informally it has 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.

In deciding what's fair and reasonable, I am required to take into account relevant law and regulations, regulators' rules, guidance and standards, and codes of practice; and, where appropriate, I must also take into account what I consider to have been good industry practice at the time.

In broad terms the starting point under the relevant regulations (in this case, the Payment Services Regulations 2017) and the terms of Mr G's account is that he is responsible for payments he's authorised himself.

It's not disputed that Mr G made and authorised the transaction so I need to decide whether Monzo acted fairly and reasonably in its dealings with Mr G when he did so, or whether it should have done more before processing it.

The CRM Code doesn't apply to card payments so isn't relevant to this case.

Taking into account the factors I have set out above, I consider it fair and reasonable that Monzo should:

- have been monitoring accounts and any payments made or received to counter various risks, including 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 firms are generally more familiar with than the average customer;
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before

processing a payment.

Having considered Mr G's account activity in the six month period before the scam payment I'm satisfied it was so unusual and out of character that Monzo should have intervened and asked questions before processing it. Mr G used his account to make low value payments. The highest value transaction before the scam was for just over £300. So I consider a transaction of £6,570 which followed large credits to Mr G's Monzo account carried a heightened risk of financial harm.

I'm satisfied that if Monzo had intervened and asked Mr G questions about the £6,570 payment, it would quickly have uncovered that Mr G was falling victim to a scam. Being asked to move funds and make a payment because an account is compromised is a clear red flag that Monzo should have picked up on. So, if Monzo had appropriately intervened I think Mr G's loss would have been prevented. Monzo has accepted this and offered to refund 50% of Mr G's loss.

I've gone on to consider whether Mr G should bear any responsibility for his loss. In considering this point, I've taken into account what the law says about contributory negligence as well as what's fair and reasonable in the circumstances of this complaint.

I appreciate that Mr G wasn't called from a spoofed telephone number, but I am mindful that he was led to believe his funds were at risk and was put under pressure to act quickly. This is exactly how scams of this nature work. With the benefit of hindsight Mr G should have checked the number he was called from matched that of bank W. But victims of scams like this one aren't allowed the opportunity (or time) to stop and think.

The initial premise of the scam was plausible because Mr G had declined card payments shortly before and was led to believe that his account was compromised as a result. He was persuaded that he was speaking to the fraud department of bank W because he was taken through security and because the scammer knew about recent transactions on his account. I consider this would have been persuasive, as this is information only a bank should know. The scammer also knew Mr G had an account with Monzo.

The merchant name was unusual, but Mr G questioned this and was given an explanation that, in the heat of the moment, was plausible. It wasn't an actual merchant, but an alias, and Mr G was assured his funds would bounce back once security steps had been completed. Given that Mr G was persuaded he was talking to a high level fraud agent from bank W, he thought this was a reasonable explanation.

Whilst I recognise there were some unusual features of this scam, I think it was sophisticated and fast paced. The success of the scam also relied on the fear the scammer instilled of Mr G losing his money. Overall, I can't fairly say Mr G showed a lack of care which went beyond what I would expect of a reasonable person. This means I can't fairly make a deduction in respect of contributory negligence.

Finally, I've considered the service Mr G received from Monzo.

From the day after he reported what had happened Mr G started to chase Monzo. He reported that the loss of a significant amount of money was causing him a lot of emotional and financial difficulty. In calls on 30 and 31 January 2024, Monzo agents referred to timescales of 24-48 hours and four to seven days which likely raised expectations. Mr G started numerous chats with Monzo in which he asked for updates. Monzo repeatedly gave unhelpful updates about escalating his concerns. Monzo agents also said they couldn't provide timescales and that there was a high demand for its service. Ultimately, Monzo told

Mr G that it wasn't reimbursing him on 25 April 2024, almost three months after he raised a claim.

Monzo also blocked Mr G's card many weeks after the scam when Mr G requested an update. This caused further inconvenience.

It's clear that Monzo added to the distress and inconvenience at an already difficult time for Mr G. He was left for too long not knowing whether he would be reimbursed and he spent a lot of time trying to understand likely timeframes. This was in stark contrast to bank W, which refunded Mr G promptly. Mr G also said that after losing all his savings he was placed in financial difficulty.

Overall, I'm satisfied it would be fair for Monzo to pay Mr G a total of £300 compensation. I understand Monzo has already paid him £75 so it should pay an additional £225.

My final decision

For the reasons stated I uphold this complaint and require Monzo Bank Ltd to:

- Pay Mr G £6,570; and
- Pay interest on the above at the rate of 8% simple per year from the date the transaction was made to the date of settlement.
- Pay Mr G compensation of £225.

If Monzo Bank Ltd is legally required to deduct tax from the interest it should send Mr G a tax deduction certificate so that he can claim it back from HMRC if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 22 October 2024.

Jay Hadfield
Ombudsman