

The complaint

Ms Z complains that Monzo Bank Ltd ('Monzo') won't refund the money she lost when she fell victim to a scam.

What happened

Ms Z says that in March 2023 she met a man on a dating site who said that he could help her to earn money by investing in cryptocurrency. She says that initially she didn't believe him but after he gave her some cryptocurrency, she felt he was genuine. The person Ms Z met taught her how to invest. Initially she was advised to download a cryptocurrency app and buy cryptocurrency from various sellers via the peer to peer method. The cryptocurrency was then transferred to a platform. Ms Z says it looked like she'd made a lot of money but when she wanted to withdraw her profit the fraudster asked her to make a significant payment and then disappeared. At this point she realised she was the victim of a scam.

I have set out in the table below the transfers Miss Z made from her Monzo account.

Transaction	Date	Amount	Recipient
1	13/04/23	£500	Company 1
2	14/04/23	£1,000	Individual 1
3	16/04/23	£1,000	Individual 2
4	16/04/23	£500	Cryptocurrency exchange
5	21/04/23	£5,000	Individual 3
6	22/04/23	£470	Company 2
7	25/04/23	£5,000	Individual 4
8	25/04/23	£1,500	Individual 4
9	27/04/23	£3,000	Company 4
10	27/04/23	£2,200	Company 5
11	28/04/23	£3,000	<i>Individual 4</i>
12	30/04/23	£1,000	Company 6
13	02/05/23	£1,000	Individual 5
14	03/05/23	£1,000	Individual 6
15	06/05/23	£1,000	Individual 7

The payment in italics was rejected by the recipient bank and returned to Ms Z on 4 May 2023 so don't form part of her loss.

Ms Z reported what had happened to Monzo on 14 May 2023.

Monzo didn't agree to reimburse Ms Z's loss. It said that the loss didn't occur from Ms Z's Monzo account (as she bought and received cryptocurrency that she then transferred to a scammer). Monzo also gave Ms Z notice that her account would close in two months. Monzo also noted it had attempted to recover Ms Z's funds.

Ms Z was unhappy with Monzo's response and brought a complaint to this service. She said Monzo didn't protect or recover her funds and it was irresponsible of Monzo to close her account without explaining why.

Our investigation so far

The investigator who considered this complaint didn't recommend that it be upheld. She said Monzo should have identified that payment five was unusual or suspicious and contacted Ms Z before processing the payment. But the investigator didn't think intervention by Monzo would have made a difference. This was because it was clear from Ms Z's chats with the scammer that she had built up a strong relationship and that she didn't plan to tell the truth about the payment reason. The investigator also referred to intervention by other banks Ms Z also used to make scam payments and to the fact one bank invoked the Banking Protocol. Overall, she felt Ms Z wouldn't have told the truth and that even if Monzo stopped the payment Ms Z would have found another way to make it.

Turning to the closure of Ms Z's account, the investigator noted Monzo had acted in accordance with its terms and conditions.

Ms Z didn't agree with the investigator's findings and asked that an ombudsman review her complaint. In summary, she said:

- Monzo didn't adhere to the Quincecare Duty. It should have stopped her payments and seriously considered whether her answers were suspicious.
- She doesn't agree that if Monzo had taken appropriate steps the scam would not have been uncovered. Another bank stopped a payment on 11 May 2023 even though she told it the payment was to buy a product. Since then, she hasn't made any further payments from any of her accounts.
- She was exploited by a scammer at a time when she was vulnerable. Her husband passed away at the end of October 2022 after a sudden illness. Ms Z has explained that at the time of the scam she was struggling with grief, loneliness, severe anxiety, and depression. In addition to this, her only daughter disappeared from her life in December 2022 and took property from Ms Z. The combination of these factors had a severe impact on Ms Z's physical and mental health and led to her being taken advantage of.

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 position at law is that banks like Monzo are expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.

The Lending Standards Board's Contingent Reimbursement Model Code (CRM Code) doesn't apply in this case so I can't apply its provisions, including those that relate to vulnerability.

But I consider that Monzo should have been on the look-out for the possibility of fraud and have taken additional steps, or made additional checks, before processing payments in some circumstances.

I consider it fair and reasonable that at the time Ms Z made the payments 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;
- 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;
- 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; and
- have been mindful of – among other things – common scam scenarios, how the fraudulent practices are evolving (including for example the common use of multi-stage fraud by scammers, including the use of payments to cryptocurrency accounts as a step to defraud consumers) and the different risks these can present to consumers, when deciding whether to intervene.

In this case, I'm mindful Ms Z didn't have an existing relationship with Monzo as the account was opened for the purpose of completing the scam transactions. This means that Monzo didn't have an understanding of Ms Z's normal spending patterns.

The first four transactions in the table above were low in value so I don't think Monzo should reasonably have suspected that they might relate to a scam. Although Ms Z made a payment to a cryptocurrency exchange it was low in value and many Monzo customers use their accounts to buy cryptocurrency legitimately. Monzo needs to strike a balance between protecting its customers and minimising disruption to legitimate payment journeys.

But by the time Ms Z made payment five in the table above I consider Monzo ought reasonably to have asked her some questions about the payment purpose to satisfy itself she wasn't at risk of financial harm. The value of the transaction was much greater than previous payments on the account and a concerning pattern of payments was emerging. Ms Z had made a number of payments over the course of a week which were, with the exception of the £500 payment to a cryptocurrency exchange, increasing in value. The fact Ms Z made a payment to a cryptocurrency exchange indicates she could be at risk of falling victim to an investment or job related scam.

Overall, I'm satisfied that Monzo should have identified that payment five carried a heightened risk of financial harm and should have taken additional steps before allowing it to debit Ms Z's account.

Monzo has explained that when each new payee was created it provided a generalised warning which asked if someone could be trying to scam a customer and said to get advice if they had doubts. In addition to the new payee warning, Monzo provided a further warning in respect of some payments (including payment five) which said:

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

The warnings were very general in nature and it's difficult to see how they would resonate with Ms Z. I consider that Monzo needed to go further and that human intervention, in the form of an in-app chat or a call, was a proportionate response to the risk posed. The kind of questions I'd expect Monzo to have asked include the purpose of the payment, who the recipient was, why Ms Z was making multiple payments to different payees and who introduced her to it.

I've gone on to consider whether intervention by Monzo of the type I have set out above would have made a difference and prevented further payments from being made. In deciding this, I've thought about the messages Ms Z exchanged with the scammer (I have asked Ms Z to provide me with all the messages she exchanged with the scammer, but Ms Z says she has deleted a lot of messages by accident). I have also considered interactions by other parties.

Ms Z also opened an account with an electronic money institution (EMI) to facilitate scam payments. I can see that when Ms Z reported the scam to this EMI on 14 May 2023 she noted that the scammer "told me not to write any words about cryptocurrency". I've also seen a message the scammer sent to Ms Z on 3 April 2023 which advises her not to tell her bank she is buying cryptocurrency. And in a further message later that day, the scammer told Ms Z that she needed to go to her bank the next day and just say she is transferring money to a friend. The scammer went on to say that Ms Z could say anything she wanted to the bank, as long as the bank believes it. Finally, I've seen a screenshot of some information provided to Ms Z which advises not to include cryptocurrency related terms in the payment reference as the payment might be blocked by the bank.

I have also listened to calls between Ms Z and a different bank which intervened when she made payments. This is the same bank that later invoked the Banking Protocol. This bank was concerned that Ms Z was falling victim to a scam and asked her questions about certain payments and transfers. Ms Z didn't answer the questions posed honestly and didn't say she was investing. Instead, Ms Z said she was paying a friend or to buy goods.

On 11 May 2023, at around the time the Banking Protocol was invoked, Ms Z discussed with the scammer the questions she might be asked and assured him she wouldn't mention cryptocurrency. Ms Z also said she would delete the investment app 'again' when she saw the bank or the police. From the messages exchanged, it's clear Ms Z had a cover story prepared for when the police talked to her.

The evidence I have seen leads me to conclude that if Monzo had asked questions about

any of the payments Ms Z would not have been honest. I appreciate that this was because she was under the spell of a cruel scammer who Ms Z trusted.

Ms Z has noted that the scam came to light on 11 May 2023 when a bank she was transferring funds from intervened and invoked the Banking Protocol. It's clear that the bank that invoked the Banking Protocol had much more information about Ms Z because she had an existing relationship with it. For example, the bank concerned knew about the death of her husband and that Ms Z had disputed a payment in the past. Monzo didn't have this information because the account was newly opened. The bank that invoked the Banking Protocol had also intervened on previous occasions and had concerns about the information Ms Z provided it with and whether she was being honest in phone calls. So, by the time it invoked the Banking Protocol, Ms Z's bank had a lot of concerning information and had spoken to her multiple times.

I've gone on to think about whether Monzo could have done more to recover Ms Z's funds. But, as Ms Z bought cryptocurrency from legitimate sellers, and then passed it on to the scammer, there is no prospect of recovery.

Ms Z has said it was irresponsible of Monzo to close her account after giving her notice that it was going to do so. Monzo's terms and conditions allow it to close an account in this manner so I can't reasonably say it has done anything wrong.

Overall, whilst I'm sorry to hear about this cruel scam, I can't reasonably ask Monzo to reimburse Ms Z.

My final decision

For the reasons stated I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms Z to accept or reject my decision before 5 February 2025.

Jay Hadfield
Ombudsman