

## The complaint

Mr N complains that Monzo Bank Ltd (Monzo) won't refund money he lost in an investment scam.

## What happened

### *What Mr N says:*

Mr N is represented by a third-party claims firm which has put his case to us. But I refer to Mr N as the complainant here.

He says he met someone on social media and struck up a friendship. She introduced a 'life changing' investment opportunity. Chatting on WhatsApp, she explained how the scheme worked and onboarded Mr N to an 'investment firm'. This firm gave updates on his trades and performance. She said Mr N could double his money in 45 days. She took him through step-by-step training and sent Mr N documents which looked professional. Mr N says he got some money back – which made the scheme seem genuine.

Funds were transferred from Mr N's Monzo account to his trust wallet at a crypto exchange as follows:

	Date	Payment	Amount
1	3 May 2023	Debit card to Mr N's crypto wallet	£4,943.52
2	11 June 2023	Debit card to Mr N's crypto wallet	£5,090.80
3	12 June 2023	Debit card to Mr N's crypto wallet	£5,090.80
4	12 June 2023	Debit card to Mr N's crypto wallet	£4,892.02
	<b>Total</b>		<b>£20,017.14</b>

He was then unable to make withdrawals and realised he'd been scammed.

He says the transactions were out of character and Monzo should've intervened and stopped the payments. If they had and asked probing questions, Mr N says the scam would've been uncovered and he would not have lost any money. He says the Consumer Duty was in operation – which said Monzo had a duty to prevent foreseeable harm to him.

Mr N says Monzo should refund the money he paid plus interest at 8% per annum.

### *What Monzo said:*

Monzo didn't issue a final response as the complaint was brought to us by Mr N's advisors before Monzo could respond. But the bank said to us:

- Mr N's account was a new one – it was opened in May 2023.
- The first payments from the account were the disputed transactions.
- The payments were made and authorised by Mr N, and verified in-app.
- The point of loss was not when the payments were made from Mr N's Monzo account, but when he moved them to the scammers from there.
- Monzo had put several questions to Mr N's advisors on 22 February 2024 but had not had any response.
- Monzo noticed that in the case file put forward by Mr N's advisors, they stated he had an existing crypto wallet.
- They also noticed that the case file said he had previous investment experience – in property, pharmaceuticals and wine.

Monzo didn't agree to refund any money.

*Our investigation so far:*

Mr N brought his complaint to us. Our investigator didn't uphold it. He said:

- Monzo should've intervened in the second payment - on 11 June 2023.
- But he didn't think that it would've made a difference if Monzo had done so. He said Mr N thought he was sending the money to a legitimate investment; and he would likely have given plausible answers to any questions Monzo may have put to him.
- Mr N had previous investment experience; and already had a crypto wallet – so it's likely he had purchased crypto currency before.

Mr N didn't agree. He said:

- It wasn't fair to decline the complaint with the argument that Mr N thought he was dealing with a legitimate investment firm. If that were the case, then all such complaints would always fail as consumers normally felt that way.
- The key matter was whether the payments were out of character and if they were, Monzo should've intervened and asked open and probing questions.
- The fact that Mr N had an existing crypto wallet wasn't relevant – it didn't mean he would not fall victim to a scam.

Mr N, through his advisors, asked that an ombudsman look at his complaint, and so it has come to me.

### **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 to hear that Mr N has lost money in a cruel scam. It's not in question that he authorised and consented to the payments in this case. So although Mr N didn't intend for the money to go to a scammer, he is presumed to be liable for the loss in the first instance.

So, in broad terms, the starting position at law is that a bank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. And I have taken that into account when deciding what is fair and reasonable in this case.

But that is not the end of the story. Taking into account the law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider Monzo should fairly and reasonably:

- Have been monitoring accounts and any payments made or received to counter various risks, including anti-money laundering, countering the financing of terrorism, and 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 banks are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps, or make additional checks, before processing a payment, or in some cases declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

I need to decide whether Monzo acted fairly and reasonably in its dealings with Mr N when he made the payments, or whether it should have done more than it did. I have considered the position carefully.

The Lending Standards Board Contingent Reimbursement Model Code (CRM Code) provides for refunds in certain circumstances when a scam takes place. But – it doesn't apply in this case. Monzo hasn't signed up to the Code, but they follow its principles. That said, it applies to faster payments made to another UK beneficiary– and in this case, the payments were made by Mr N to his own crypto wallet in his name. So it doesn't apply in this case. I have therefore looked at this complaint using general Authorised Push Payment considerations.

If the payments were of a sufficient size and were out of character with how Mr N normally used his account – then we would expect Monzo to have intervened and contacted him about them. I looked at Mr N's account, and it's fair to say that the payments were unusual compared to the way in which he used his account.

Mr N's account was a new one – opened a few days before the first payment. Therefore, it is reasonable for me to say that the payments were unusual.

And - we expect that from 1 January 2023, firms ought to recognise that cryptocurrency related transactions carry an elevated risk of the likelihood of the transaction being related to a fraud or scam. This is because, by this time many leading firms had appreciated this risk and placed blocks or restrictions on cryptocurrency related transactions, and there had been widespread coverage in the media about the increase in losses to cryptocurrency scams.

That said - I also must bear in mind that there's a balance to be made: Monzo has certain duties to be alert to fraud and scams and to act in their customers' best interests, but they can't be involved in every transaction as this would cause unnecessary disruption to legitimate payments.

And in this case, I think Monzo acted reasonably in processing the first two payments. I say that as we think intervention should take place when a trend is seen, e.g. with payments in

quick succession. And the first payment was in isolation and the second one took place over five weeks later – so no trend had been established.

So, on balance I think Monzo should have intervened in the third payment.

But I must decide what would've likely have happened had Monzo held the third payment on 12 June 2023 and contacted Mr N. And here I think it is reasonable to conclude that he would've gone ahead in any case. I say that as from a review of the evidence:

- He was clearly completely taken in by the scammer – as shown by the WhatsApp chats. There are many examples of where Mr N thanked and praised the scammer for her advice and guidance and for the 'profits' she was making for him.
- In the chat, Mr N mentions that his wife was concerned about the investments: but he still wanted to go ahead.
- I saw that even towards the end of the WhatsApp chat – in the second week of July 2023 - Mr N was still intending to put more funds in. And he was apparently trying to get funds from his colleagues and contacts to send to the investment firm. This didn't happen but suggests that Mr N was determined to go ahead even at that stage – so he was committed to the investment.
- Mr N's advisors said he had no bitcoin experience. But he did have an existing crypto wallet – which he would only have had if he had reason to use it. And – I can see he received two credits to his Monzo account in July 2023 – for £71.73 and £30 - and made payments of £50 and £30 – all of which appear to have been crypto-related. And as these haven't been included as part of the scam in question, I think it is reasonable to assume they related to other crypto investments.
- Mr N's advisors said he had prior investment experience in a pharmaceutical company, land overseas, and wine investment. If Monzo had asked Mr N for his previous experience (as they would have done), I think Mr N would've likely had said he had - and Monzo would reasonably have concluded that Mr N knew what he was doing in making the crypto payments.

Mr N says the Consumer Duty was in operation – which should've protected him. But in this case, it doesn't apply – as it came into effect on 31 July 2023.

Putting all this together, I think it is reasonable for me to conclude that on the balance of evidence, it's more likely than not that any intervention from Monzo would not have prevented Mr N from making the payments.

Therefore, I don't hold Monzo as liable to refund any money to Mr N. **(continued)**

**Recovery:** We expect firms to quickly attempt to recover funds from recipient banks when a scam takes place. I looked at whether Monzo took the necessary steps in contacting the bank that received the funds – in an effort to recover the lost money.

And here, the funds went from the bank account to a crypto currency merchant and the loss occurred when crypto was then forwarded to the scammers. In this case, as the funds had already been forwarded on in the form of cryptocurrency there wasn't likely to be anything to

recover. This is particularly the case here as Mr N didn't report the scam to Monzo until February 2024 – eight months after the payments were made.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 2 December 2024.

Martin Lord  
**Ombudsman**