

## **The complaint**

Mr H complains that Monzo Bank Ltd didn't do enough to prevent the loss he suffered when he was the victim of a scam.

## **What happened**

The detailed background to this complaint is well known to both parties, so I'll only provide a brief overview of some of the key events here.

In April 2024 Mr H says he found an overseas property advertised online for rental. He clicked the contact link and was taken to a WhatsApp chat with what seemed to be a verified business account. After discussing some of the details and receiving images of the property to be rented, Mr H agreed to make a booking.

He believed he would be paying an amount in the local currency equivalent to £1,590 to cover both a deposit and the initial rental period. He says he was sent a link in order to make the payment. Mr H says he used his Monzo app to confirm the payment. He also says he did this twice believing it to be necessary to confirm his booking as he was told the initial payment hadn't gone through.

Mr H says that after the second payment the web page went blank, he felt something wasn't right and went back to the WhatsApp chat to try to get a refund. He says the agent initially agreed but then all contact ceased.

As a result of the scam Mr H made two payments (each for £1,590). The payments both took place within around 3 minutes of each other and went to a merchant 'M' which is a reasonably well-known cryptocurrency exchange.

Mr H contacted Monzo the same day and told them what had happened. He was initially told that he would receive a refund for the second payment in error as he'd paid a genuine company. But ultimately Monzo concluded this was a scam and declined to provide a refund. Mr H was unhappy with the service he received and because he didn't get his money back.

When he complained to Monzo they said they couldn't provide a refund. They said there was no prospect of a chargeback succeeding as the service requested would have been provided by M. They also said that Mr H hadn't done enough checks himself before making the payments. However they did accept the service hadn't been of the standard they usually look to provide and offered £50 compensation for the impact of this.

The matter was referred to our service and one of our Investigators recommended the complaint should be upheld. In summary she thought Monzo should have done more in relation to Mr H's second payment, and that this would have prevented it being made. So, she recommended that payment be refunded along with 8% simple interest. She also thought the compensation for poor service should be increased by a further £100.

Whilst Mr H thought he should still get a full refund, he accepted this outcome to resolve his complaint. Monzo agreed to increase the compensation by the further £100, but they didn't agree they should refund the £1,590. They asked for an Ombudsman to review the complaint.

### **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.

Having done so, I've reached the same outcome as our Investigator and for similar reasons. I'll explain why.

Mr H accepts that he made the two payments using his card details. It's also accepted by both sides that the payments in question involved an additional layer of authentication through 3DS. This required Mr H to use his app to confirm the payments.

So, the starting position is that he would usually be liable for payments he's agreed to make. But this isn't the end of the story. Monzo should do what they can to mitigate the risk to their customers of financial harm from fraud, scams and the misappropriation of funds. With this in mind, they should fairly and reasonably be monitoring activity on the accounts they provide with a view to preventing harm where possible.

By April 2024 when the payments took place scams involving cryptocurrency were incredibly prevalent. The use of cryptocurrency is a very common feature in a great number of scams, presumably due to its untraceable nature. In 2022 many high street banks had placed restrictions, limits or created friction in payments going to cryptocurrency. So, by April 2024 I think Monzo was well aware (or should have been) that such payments represent the potential for an increased risk to their customers. I do of course accept that there will also be many payments to cryptocurrency that are legitimate and not as a result of a scam.

I think Monzo would have known (or at least strongly suspected) that the payments relevant to this complaint were going to a cryptocurrency exchange – this would have been apparent from the name of the merchant. But I accept that there also needs to be an element of proportionality to the balance between allowing customers free use of their accounts and taking steps to mitigate the risk of fraud or scams. With this in mind, I don't think Monzo needed to do more than they did in relation to the first payment. I think the use of 3DS was a proportionate response to a payment of this nature and value.

But I'd agree with our Investigator that when a second payment for the same value took place only minutes later, taking the cumulative amount being spent (identifiably to crypto) to nearly £3,200, that solely using 3DS (which doesn't assist in warning about a potential scam) was no longer appropriate to the risk presented by this payment. I've thought carefully about what a proportionate warning in light of the risk presented would be in these circumstances. In doing so, I've taken into account that many payments that look very similar to this one will be entirely genuine. I've given due consideration to Monzo's duty to make payments promptly, as well as what I consider to have been good industry practice at the time this payment was made. Taking that into account, I think Monzo, when Mr H attempted to make the second payment, knowing (or strongly suspecting) that the payment was going to a cryptocurrency provider, ought to have provided a warning (whether automated or in some other form) that was specifically about the risk of cryptocurrency scams, given how prevalent they had become by April 2024. In doing so, I recognise that it would be difficult for such a warning to cover off every permutation and variation of cryptocurrency scams, without significantly losing impact. So, at this point in time, I think that such a warning should have

addressed the key risks and features of the most common cryptocurrency scams. The warning Monzo ought fairly and reasonably to have provided should have highlighted, in clear and understandable terms, the key features of common cryptocurrency scams, for example referring to: an advertisement on social media, promoted by a celebrity or public figure; an 'account manager', 'broker' or 'trader' acting on their behalf; the use of remote access software and a small initial deposit which quickly increases in value. I recognise that a warning of that kind could not have covered off all scenarios. But I think it would have been a proportionate way for Monzo to minimise the risk of financial harm to Mr H by covering the key features of scams affecting many customers but not imposing a level of friction disproportionate to the risk the payment presented.

And as Mr H believed he was paying for accommodation in the local currency, I think receiving a warning about cryptocurrency and learning that this is indeed where his payment was going, would have caused him to pause and not continue with that second payment.

None of the chat between Mr H and the scammer involved making the payment in cryptocurrency. In the calls between Monzo and Mr H he appears cautious and concerned at the possibility of not being able to recover his funds. So, I think it's more likely than not that he would have been receptive to any warning given. Mr H regularly sought advice / clarity from Monzo through various channels. I think it's likely he would have done the same and Monzo's own submissions support that they would find it suspicious for a property rental to be asking for payment in cryptocurrency.

Overall, I think an appropriate warning prior to processing the second payment would have made a difference, and but for Monzo's failure to do more, Mr H wouldn't have lost that money. So, I think they should provide him with a refund of £1,590 plus 8% simple interest. The interest should be calculated from the date of loss until the date of refund and is to compensate him for being without the use of that money for that period of time.

I've also thought carefully about whether Mr H should bear some responsibility for his own loss due to contributory negligence. And in the circumstances of this complaint, I'm not persuaded he should. The interactions with the scammer and screenshots provided all seem plausible. I also don't think it is so unreasonable for him to make the payment twice (believing the initial one didn't go through) such that reducing my intended award would be fair or appropriate. The weight of the evidence is that Mr H fell for a convincing scam and ultimately, I'm not persuaded that he knew or should have suspected something was amiss yet continued despite this.

For completeness, I don't think Monzo's position regarding the potential for chargebacks was unreasonable. As the payments were made to M it's most likely that the service (conversion of funds and then sending of cryptocurrency) was performed. And in these circumstances there isn't a reasonable chance of the chargeback scheme being used to make a successful recovery.

I've also thought about the overall service provided by Monzo in their dealings with Mr H (including thinking about the impact on him and his unique circumstances). Both sides accept the service provided wasn't of an appropriate standard, so I won't set this out in further detail. And particularly as both sides have accepted this part of our Investigator's recommendation, I would agree that £150 compensation is a fair way to put things right in this regard.

### **My final decision**

For the reasons outlined above, my final decision is that I uphold this complaint.

Monzo Bank Ltd must pay Mr H £1,590. 8% simple interest (yearly) should be added to this amount in line with what I've set out above.

They should also pay Mr H a total of £150 compensation for the impact of any distress and inconvenience he suffered. If the initial £50 referred to in their complaint response has already been paid, then only the further £100 needs to be paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 21 November 2024.

Richard Annandale  
**Ombudsman**