

The complaint

Miss S is unhappy that Monzo Bank Ltd ("Monzo") hasn't refunded the money she lost when she fell victim to an investment scam.

What happened

Miss S said in September 2023 she saw an advertisement on an article she found on a social media site. It was about an investment and trading course opportunity and was endorsed by celebrities. Miss S's representative initially told us that she was unemployed and was concerned about not being able to cope with increasing mortgage interest rates so she hoped that by investing she could help clear her mortgage and provide for her elderly parents.

Miss S explained she clicked on a link within the article which took her to a genuine looking website. Miss S paid a small fee of around \$250.00 to enrol on the course and shortly after she was introduced to someone employed by an investment company – I will refer to as X. Miss S says X looked genuine and she had access to a trading platform where she could see her investment. Miss S said she had access to two accounts on the trading platform – one was an account in her name which was never to be touched and the other was where she traded the profits from the first account.

Miss S downloaded a remote access application so her mentor from X could show her how to make trades.

Miss S was persuaded to take out loans with a number of banks (including Monzo) as well as a number of other companies. She also set up new accounts including with Bank C and Bank R and Bank M2). Miss S also opened a number of wallets with cryptocurrency providers.

Miss S made a number of payments from other bank accounts (some of which are the subject of separate complaints).

On 4 October 2023 Miss S took out a home improvement loan with Monzo for £23,000 which credited her account. At the same time Miss S transferred £20,000 from one of her other bank accounts (bank F) into her Monzo account. She then attempted to transfer £10,000 to a cryptocurrency platform. Monzo initially declined the payment and reached out to Miss S due to concerns it had. But having warned her and asked for some further evidence, it agreed to process the transaction for £10,000 to P (a known cryptocurrency platform).

However, this transaction was returned to Miss S's Monzo account the same day (6 October 2023). Miss S then transferred four transactions of £10,000 each over the following days back into her account with bank F. From there she moved money via another account (with Bank C) to the same cryptocurrency provider P.

Miss S realised she'd been the victim of a scam. X had been asking for fees to release her money and then she logged on to her accounts one day and all the money from the 'holding' account had been moved. She reported the matter to Monzo but Monzo declined to refund Miss S.

Monzo said that it appropriately intervened when Miss S attempted her payment, called her twice and gave her a warning about cryptocurrency investment scams.

Our investigator did not uphold the complaint. She considered that Monzo provided a tailored warning relevant to Miss S's circumstances. She also found that Miss S had not always been honest with her answers to Monzo and was being heavily coached by the scammer. Our investigator concluded that any better intervention wouldn't have made a difference and Miss S would still have proceeded with the payment.

I wrote to Miss S and her representatives informally explaining I was intending on reaching the same outcome as the investigator broadly for the same reasons.

Miss S provided a detailed response. She emphasised her status as a victim and the coercive nature of the scam/scammer. She said her primary bank should have identified the activity as unusual and it failed to protect a vulnerable consumer. She explained that the scam has caused profound financial hardship and emotional distress; exacerbated by the recent passing of her father. She is unemployed, registered disabled and has no means to repay the loans. Miss S also provided some further arguments on causation - largely concerning her relationship with the scammer rather than the bank.

Miss S also pointed out the responsibility of the banks to prevent fraud and to investigate suspicious transactions. Miss S says the bank didn't do enough. Miss S provided examples of other cases decided by this service that she feels supports her arguments.

Miss S's representative didn't agree. It emphasised that Miss S was vulnerable at the time and was under the influence of the scammer. It felt Monzo did not comply with its obligations under the Customer Duty.

As the complaint couldn't be resolved informally, I am issuing my final decision.

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'm required to take into account relevant law and regulations; regulatory rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

Where I can't know for certain what has or would have happened, I need to weigh up the evidence available and make my decision on the balance of probabilities – in other words what I think is more likely than not to have happened in the circumstances.

I'm sorry to hear of all Miss S has been through. Not just in terms of this scam, but also her wider situation and the recent passing of her father. I've no doubt that she has been through a lot and no doubt the scam has impacted her further.

Miss S has been the victim of this cruel scam, and I don't underestimate the impact this has had on her. I therefore want to reassure Miss S that I've carefully considered her complaint and all the points put forward. If, however, I don't mention a particular point, it doesn't follow

that the points haven't been considered, simply that I don't need to particularise every point in reaching an outcome I consider to be fair and reasonable in all the circumstances. I've instead concentrated on the issues I think are central to the outcome of this complaint.

Miss S has fallen victim to what can only be described as a cruel and callous scam. I'm sorry she has lost so much money, and I can understand why she would like to be compensated for all her losses. I accept that the scammer has been the primary cause of financial harm but there is no prospect of recovering Miss S's money from the scammer. The case I am considering is against the bank and is about whether it is fair and reasonable for the bank to refund Miss S those losses. In order to do so, I need to find that the bank did something wrong and that its actions were the cause of her loss.

I should also add that each case is judged on its own merits and what may appear (on the face of it) to be a similar set of circumstances, may often transpire not to be the case.

In broad terms, the starting position at law is that banks such as Monzo are expected to process payments and withdrawals that a customer authorises it to make, in accordance with the payment service Regulations (in this case the 2017 Regulations) and the terms and conditions of the customer's account.

But, taking into account relevant law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider it fair and reasonable in October 2023 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;
- 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 – (as in practice Monzo sometimes does and did in this case);
- 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 need to decide whether Monzo acted fairly and reasonably in its dealings with Miss S when she authorised the payments from her account or whether it could and should have done more before processing them.

Whilst we now know the circumstances which led Miss S to make the payments using her Monzo account and the process by which that money ultimately fell into the hands of the fraudster, I am mindful that, at that time, Monzo had much less information available to it upon which to discern whether the payments presented an increased risk that Miss S might be the victim of a scam.

Although I recognise Miss S was vulnerable to this scam, I can't see that she communicated this to Monzo – meaning that Monzo would not have been aware that Miss S had any vulnerabilities before it processed the payments. I also don't think it would have been apparent to Monzo that Miss S was vulnerable at the time she made these transactions. Even listening to the phone conversations, I don't think Miss S's vulnerabilities were apparent.

In this case, Miss S initially transferred money to buy genuine cryptocurrency. The intention was this was supposed to then be transferred to the scammer. However, cryptocurrency provider P returned the money to Miss S's Monzo account on the same day - 6 October 2023. She subsequently made payments to an account in her own name (bank F) and from there to another bank account (Bank C) where she finally transferred the money to the same cryptocurrency provider P.

Buying cryptocurrency is a legitimate activity and the payments were made to a genuine cryptocurrency exchange. These transactions (transfer to own account/purchasing cryptocurrency) of themselves are not a scam but rather genuine. The scam happened after that; by Miss S moving her cryptocurrency to the scammer.

I am aware that scams involving cryptocurrency had become increasingly prevalent and well known to banks. But I also think it was reasonable for Monzo to take into account a range of factors when deciding whether to intervene or provide a warning.

I am mindful that banks can't reasonably be involved in every transaction. There is a balance to be struck between identifying payments that could potentially be fraudulent and minimising disruption to legitimate payments. It's not unusual for consumers to make higher payments from time to time.

But I don't think Monzo could have done anything more here. On 5 October 2023 Monzo stopped the £10,000 payment to cryptocurrency exchange P and called Miss S. It followed up its call, by sending Miss S the following warning in the chat for her to read through.

We are very concerned about this payment, and suspect you are falling victim to an investment scam.

I can assure you that legitimate investments will never pressure you into sending money. Scammers will:-

- *Refer to themselves as an "investment advisor", "broker" or "account manager".*
- *Ask you to set up multiple bank or cryptocurrency accounts*
- *Ask you to move money from your bank to your crypto wallet and then move it using a wallet ID number into the scammers crypto account*
- *Ask you to buy USDT to then send it into the scammer's wallet under the guise that this is you making the investment*
- *Use fake websites to convince you that their trades are genuine however these sites are built and controlled by scammers*
- *Use celebrity endorsements in adverts to convince you it's genuine but these will be fake*
- *Ask you to lie to us about the reason for this payment or give you answers to tell us*
- *Tell you to download software which will give them access to your phone*

I would also recommend ending contact with anyone who is advising you on an investment immediately.

Given the situation Miss S was in – this warning ought reasonably to have resonated with her – as a number of points were directly relevant to the situation, she found herself in.

Monzo also sent several links. Miss S acknowledged she'd read this saying *"I understand the concern and am aware of scams, however I am only intending to buy Bitcoin and transfer to my ledger via my Kraken account"*.

This warning was preceded by a call on 5 October 2023 and followed up with a further call on 6 October 2023.

During the calls, Miss S maintained no one was advising her at the material time or listening to her calls. She denied downloading software onto her device. She confirmed she'd read all the warnings and continued to maintain she was the only one dealing with her cryptocurrency. During the second call, Monzo explained that if she'd provided it with misinformation that results in fraudulent activity, it won't be able to refund her. It also emphasised that if she invested her Monzo loan, and it turns out to be fraudulent, it won't be able to reimburse her the loan. Miss S confirmed that this was okay.

I don't think there was any further Monzo could have done here. In any event, the money was returned to her Monzo account by the cryptocurrency provider P on 6 October 2023. So wasn't lost to the scam at this point.

Miss S made four further transactions which were ultimately lost to the scam. Whilst each transaction was £10,000, they were spread out over a few days, these were sent to her own account with bank F. So, they wouldn't have obviously looked like a fraud or scam.

I'm satisfied Miss S was clearly under the spell of the scammer and placed a significant amount of trust in them – which, as Miss S has pointed out was likely due to the manipulation techniques employed by the scammer. This however led to Miss S demonstrating a clear willingness to mislead Monzo to ensure she could invest with the scammer. And I consider the influence of the scammer over Miss S remains evident throughout. This is because Miss S failed to disclose that there was a third party involved or that remote access software had been downloaded. I think Monzo would've been reassured that Miss S was investing in her own right without any influence or direction from a third party – which is a key feature of crypto investment scams.

I again appreciate that a scam victim's judgement can be impaired due to the scammer's psychological grip on them – thereby making it difficult for them to recognise or act on such warnings. But while that may be the case, I can't reasonably hold Monzo responsible for that. And I think Monzo, provided clear and relevant warnings that were appropriately tailored to crypto scams and ought to have resonated with Miss S and the circumstances she found herself in. Unfortunately, Miss S's non-disclosure of their being a third-party involved and denial that any of the red flags appeared familiar inhibited Monzo's ability to definitively identify she was being scammed.

I'm not persuaded there were any prospects of Monzo successfully recovering the funds, given the money was sent to an account in her own name.

I want to reassure Miss S that I'm not placing blame or responsibility on her for what happened – as, unfortunately, she has been the victim of a cruel scam. I have a great deal of sympathy for Miss S and the loss she's suffered, as I appreciate it is a significant sum of money and will also impact her further.

This is not an easy decision for me to make, but it would only be fair for me to direct Monzo to refund her loss if I thought they were responsible – and I'm not persuaded that this was

the case. For the above reasons, I don't think Monzo has acted unfairly by not refunding the payments.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 21 March 2025.

Kathryn Milne
Ombudsman