

The complaint

Ms M complains that Monzo Bank Ltd (Monzo) won't refund money she lost in an investment scam.

What happened

What Ms M says:

Ms M is represented by a third-party claims firm.

She says she was introduced to an investment opportunity with a firm (which I will call 'firm B') by a friend. She said she did some research into firm B and couldn't find any poor reviews, so went ahead and invested. She sent money to her crypto exchange account ('firm A'), and from there, transferred it to the investment firm B.

Ms M says she was induced to invest in firm B because she was offered a daily return of 2.5% and that increased if she added more money or recruited others. The investment firm then introduced a bonus whereby investors could double their money within 48 hours if they put money in during that period.

The payments made by Ms M from her Monzo account were:

Date	Payment	Amount
11 November 2023	Faster payment: to Ms M's account at firm A.	£415
20 November 2023	Faster payment: to Ms M's account at firm A.	£211
20 November 2023	Faster payment: to Ms M's account at firm A.	£10
21 November 2023	Faster payment: to Ms M's account at firm A.	£10,000
21 November 2023	Faster payment: to Ms M's account at firm A.	£1,019.90
22 November 2023	Faster payment: to Ms M's account at firm A.	£10,000
3 December 2023	Faster payment: to Ms M's account at firm A.	£40
Total		£21,695.90

Ms M also made two payments for £10,101.99 (including one for £10,000) from another bank account – which is the subject of another complaint which has been brought to this service.

Ms M realised it was a scam when she tried to withdraw money but couldn't. It was shown as withdrawn from firm B, but it didn't appear back in her wallet with firm A. And at

that time there were various messages from social media groups saying the same thing.

Ms M says Monzo should've intervened and stopped the payments but didn't. There were clear red flags, including:

- She sent money to firm B via her crypto wallet at a crypto exchange, a sign of a scam.
- The returns offered were unrealistic.
 - Incentivising investors by increased returns for introductions was a sign of a scam.
- The 100% bonus was a sign of a scam.

She says that if Monzo had intervened, as they should have, the scam would've been uncovered and stopped.

Ms M says Monzo should refund the money she's lost, plus interest at 8% per annum.

What Monzo said:

Monzo said the payments were properly authorised by Ms M; and she was presented with a general scam warning when the Confirmation of Payee test failed. The bank said the point of loss was when the money was moved from firm A to firm B, not when the funds were transferred from Ms M's Monzo account. Monzo didn't provide a refund.

Our investigation so far:

Our investigator issued three views; the third one after Monzo sent in their evidence. All three views didn't uphold Ms M's complaint. He said (in summary):

- He said it was reasonable that Monzo should have intervened in the first high value payment of £10,000, but didn't.
- Monzo provided a general scam warning to Ms M when the Confirmation of Payee (COP) failed but didn't do anything other than that.
- He was persuaded that had Monzo have intervened, Ms M's responses would have been the same as she gave to her other bank. And therefore, any intervention by Monzo would not have prevented the payments being made.

Ms M didn't agree. She said:

- It wasn't fair for the decision about the payments from her Monzo account relied on a poor intervention from her other bank.
- Monzo should've looked into firm B and its status. They would have seen it was not regulated.
- Monzo should've questioned her on the returns promised.
- The elements of the scheme showed it was clearly a 'ponzi' scheme or a scam, which Monzo should've seen.

Ms M asked that an ombudsman look into her 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 Ms M has lost money in a cruel scam. It's not in question that she authorised and consented to the payments in this case. So although she didn't intend for the money to go to a scammer, she 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 Ms M when she made the payment, 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 because Monzo hasn't signed up to the Code. But they follow its principles.

That said, the Code applies to faster payments made to another UK beneficiary – and in this case, the payments were made by Ms M to her own crypto wallet. I have therefore looked at this complaint using general Authorised Push Payment principles.

The first consideration here is: if the payments were of a sufficient size and were out of character with how Ms M normally used her account – then we would expect Monzo to have intervened and spoken to her about them.

I don't consider Monzo needed to intervene in the smaller payments up to and including 20 November 2023 - because they were of low value.

I think it's fair to say that the larger payments from her Monzo account were unusual compared to the way in which she normally used it– which was to make day to day expenditures of low value.

Therefore, I think it's reasonable to have expected Monzo to intervene in the first payment for £10,000 and thereafter, but didn't. I can see Monzo sent a general scam warning when the payments failed the COP test – but I don't think the bank can rely on that to protect customers from a scam.

So - I must consider what would've happened had Monzo contacted Ms M about the first payment of £10,000 on 21 November 2023, and what her responses would've been. And here, our service is entitled to look at the associated complaint brought against Ms M's other bank – which made two payments to firm A totalling £10,101.99 (including a payment for £10,000) - made at the same time. That bank did intervene and ask questions of Ms M. And I repeat the relevant points of that intervention here. I refer to that bank as bank X.

Call – 22 November 2023:

Bank X: *tell me more about the payment (for £10,000). Ms M: been using firm A for a while, have been sending money to and from it for a while.*

Bank X: *is the account in your name? Ms M : yes.*

Bank X: *to a crypto wallet? Ms M : yes*

Bank X: *have you made payments to firm A before? Ms M: yes*

Bank X: *this is a large amount of money and (our system had flagged it as) something is not right. Ms M: but I have used firm A before, I appreciate your concern.*

Bank X: *cannot release the payment today, and your account is blocked overnight, no payments are allowed for today. We suggest in this time you check all is OK (with the payment/investment). We see a lot of fraud and scams. Ms M: but this is important/time critical....this is absolutely terrible, this is my money.*

Bank X: *it has been classified as a high risk payment. Has anyone approached you to make it? Ms M: no.*

Bank X: *there's lot of fraud at the moment. Ms M: this isn't the case, I want to move my money. This is disgusting and I will be closing my Bank X account.*

Call – 23 November 2023:

The next day, Ms M called Bank X.

Bank X: *we don't want you to fall victim to a scam. If you do, it's unlikely we will be able to get your money back. Or if you don't answer honestly, we won't be able to get your money back. Ms M: OK*

Bank X: *why are you making the payment? Ms M: to a crypto exchange and then to firm B's platform.*

Bank X: *how long have you had an account with firm B? Ms M: two months.*

Bank X: *account in your name?* Ms M: *yes.*

Bank X: *were you asked to open an account?* Ms M: *no*

Bank X: *are you making your own decisions?* Ms M: *yes.*

Bank X: *any advice from crypto brokers?* Ms M: *no*

Bank X: *any advice from account managers?* Ms M: *no*

Bank X: *are you happy you are not falling victim to a scam?* Ms M: *yes, I am very happy.*

Bank X: *any suspicious emails or calls?* Ms M: *no*

Bank X then read out the FCA warning: *investing in crypto currency is high risk and customers must be prepared to lose all of their money.* Ms M: *understood.*

Call – 23 November 2023.

Ms M then called Bank X again. The call handler asked several of the questions again. Ms M was upset and said she was ‘furious’ at what had happened because her account had been blocked.

Bank X: *I’m going to ask you some questions....* Ms M: *I’ve answered all these questions before.*

Bank X: *how long have you been using firm A and firm B?* Ms M: *several months.*

Bank X: *does anyone else have access to the accounts?* Ms M: *no*

Bank X: *has anyone said they are offering great rates?* Ms M: *no*

Bank X: *we see a lot of scams where money is moved into crypto wallets and then to crypto – is that what is happening here?* Ms M: *no*

Bank X: then read out again the FCA’s warning as on the earlier call. And the payment was released.

I’m persuaded that had Monzo intervened and spoken to Ms M, it is more likely than not that she would’ve responded in the same way.

The payments from bank X and from Monzo were taking place at the same time. It’s clear that Ms M was keen to make the payments – the chats I’ve seen with firm B’s account manager suggests she wanted to take advantage of the time-limited ‘double your money’ offer.

Based on this, I don’t think Monzo should reasonably held liable for Ms M’s losses. I say that because she told bank X (and would likely have told Monzo):

- Ms M said she had dealt with firm A and firm B before and for several months.
- She said she was acting alone and making her own investment decisions.
- She said she hadn’t been promised high returns - when in fact, she had. A daily return of over 2% is a high return. If Ms M had been truthful, then Bank X may

have been able to ask more questions and uncover the scam.

- Ms M has argued that as a lay person, she wasn't to know that a daily return of 2.5% was high. And that's why she responded in that way. Here, we apply a test of what a reasonable person would know – and I think it's fair to say that any reasonable person would consider a *daily* return of 2.5% to be high – it is equivalent to more than 900% per annum.
- She said there were not any third parties involved and she was acting alone - when in fact there was an account manager.
- She said she had done her research into firm B.
- Bank X read out the FCA's warning about the risks of crypto investments twice.
- And I think it's reasonable for me to say that it comes across that Ms M was determined to make the payment and was frustrated by Bank X's questions – so, I think she would have made the payments from her Monzo account despite any of the questions Monzo may have asked.
- I also noted from the online chats I saw – there seems to have been a personal relationship between Ms M and the investment firm's 'account manager' – they said they would arrange to meet up locally. So it's reasonable to say she probably trusted her more than if the manager was remote or unknown. So, that makes it unlikely the payments would not have been made.
- Ms M has argued that bank X's intervention wasn't good enough – but here, I disagree and think it was a strong intervention over three calls.

Ms M has argued that Monzo should've known about firm B – and this should've led to intervention. But I've seen that the FCA didn't publish a warning on firm B until 5 December 2023 – so it's not reasonable for Monzo to have known anything here. And in any case, we can't reasonably expect Monzo to do company – specific research on behalf of customers.

Banks can only be expected to provide reasonable and proportionate guidance and warnings in line with the rules and responsibilities they have.

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 (firm A) and the loss occurred when crypto was then forwarded to firm B, 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.

I'm sorry Ms M has had to contact us in these circumstances. I accept she's been the victim of a cruel scam, but I can't reasonably hold Monzo responsible for her loss.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or

reject my decision before 16 November 2024.

Martin Lord
Ombudsman