

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 was introduced to an investment opportunity by an ex-work friend, who said it was genuine - he said he was making money from it. He contacted a person at the investment firm (which I will call 'firm B'.) He was sent a link and set up a trading account at firm B. He was asked to set up a crypto currency wallet at an exchange firm (which I will call 'firm A').

Under direction from the scammer, he sent money to firm A, expecting it to be invested in bitcoin on his behalf. He firstly sent £500 to firm A.

He was shown he was making a 'profit' of £10,000. He was then asked to 'upgrade' his account in order to withdraw money and had to pay £1,500 for that.

The payments were:

Date	Payment	Amount
31 July 2024	Debit card to firm A crypto wallet	£500
1 August 2024	Debit card to firm A crypto wallet	£1,500
2 August 2024	<i>Debit card to firm A crypto wallet - stopped</i>	£700
Total		£2,000

He was shown his 'profits' had grown to £40,000 but the scammers then said he needed to pay commission of £4,000 to make a withdrawal. He then realised it was a scam. Before that, he tried to make a payment from another account but this was blocked.

On 2 August 2024, Mr N tried to make a payment from his Monzo account for £700, but this was also stopped.

As a result of the scam, Mr N lost most of his savings and his mental health has suffered. He says Monzo should've realised it was a scam and stopped the payments – he says Monzo told him on the call on 4 August 2024 that they had heard of this scam before. Mr N says Monzo should refund the money he's lost.

What Monzo said:

Monzo didn't refund any money. The bank said Mr N had authorised the payments. Mr N made the payments to firm A and from there, transferred it to the scammer firm B. The loss therefore occurred at that point, not when the payments were sent from Monzo.

Monzo didn't raise a chargeback dispute through Mastercard as it wasn't likely to be successful.

Our investigation so far:

Mr N brought his complaint to us. Our investigator didn't uphold it. She said the size of the payments weren't high and didn't appear suspicious compared to Mr N's normal account activity. On the further (stopped) payment on 2 August 2024, Mr N stated it was to pay 'friends and family'.

Even though the payments were to firm A, firm A was a genuine crypto currency exchange. So Monzo wouldn't have known the payments were part of a scam – just because firm A were involved.

She said Mr N's disagreement is really with scammer, not the crypto exchange.

Mr N didn't agree and asked that an ombudsman look at his complaint, and so it has come to me. He further said:

- He was coached to put down 'friends and family' by the scammer - as the reason for the payments.
- He was guided through opening of the accounts by the scammer.
- The platform (firm B) has been closed now.

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, the Code 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 at firm A. So it doesn't apply in this case. I have therefore looked at this complaint using general 'Authorised Push Payment' considerations.

The first consideration here is: if the payment was of a sufficient size and was out of character with how Mr N normally used his account – then we would expect Monzo to have intervened and spoken to him. I looked at Mr N's account and it was used for frequent debit card payments, usually for less than £100. But – there were many payments, so the fact that Mr N was making another debit card payment wouldn't have seemed strange to Monzo.

But the main point here is that the payments were of a low value.

And here, 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 – these were payments for relatively low amounts. Therefore, in this case, I think Monzo acted reasonably in processing the payments – I don't think that I could reasonably say that Monzo should have stopped them for further checks.

Mr N says Monzo should've realised this as a scam and was told the bank knew it was when he called them on 4 August 2024 – I listened to this call.

What the call handler said was that 'scams are massive at the moment' and 'this happens so much'. He did then say that he had heard of one other scam case involving firm A. Mr N says this means that Monzo should've stopped his payments to firm A. But – firm A are a recognised crypto exchange merchant. And Monzo's customers will make many genuine payments to firm A which don't involve a scam. So, we can't reasonably expect Monzo to have known that Mr N was being scammed – as the scam took place when he moved the funds from firm A to the scammers at firm B.

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.

Mr N has lost a lot of money. He's explained why the money was important to him, and the impact his losses have had. I was sorry to learn of his circumstances. He will therefore be disappointed by my decision, but I'm not going to ask Monzo to do anything here.

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 9 December 2024.

Martin Lord
Ombudsman