

The complaint

Miss A complains that Monzo Bank Ltd won't refund money she lost when she was a victim of a crypto investment scam.

What happened

The background to this complaint is well known to both parties and so I'll only refer to some key events here.

In 2023 Miss A came across an investment opportunity – with a firm that I'll refer to as 'T' - from friends and social media. Under the belief T was a legitimate firm, Miss A set up a trading account with them. And she made the following payments to T's trading platform via a legitimate crypto provider:

Transaction Date	Transaction type	Amount
12 October 2023	Debit card	£1,250
14 October 2023	Debit card	£1,000
	Total	£2,250

Miss A realised she'd been scammed when she was unable to withdraw her funds, with it also being confirmed on social media.

Miss A notified Monzo of the scam payments in November 2023. Monzo informed Miss A in June 2024 that they wouldn't be refunding the payments. This was because the fraudulent payments were sent from Miss A's own crypto wallet, and so, they would expect the crypto provider to investigate and refund where appropriate.

Miss A complained to Monzo as she thought the payments should've been flagged as being unusual for her, yet they didn't do anything to prevent it. She was also unhappy with how her scam claim had been dealt with as she'd waited about half a year for this outcome. And it was unclear why it took so long, with it causing her stress and anxiety during this period too.

Monzo responded to the complaint in July 2024. They reiterated that that the fraudulent activity took place on the crypto wallet in Miss A's name – and so, they weren't responsible for those transactions. Monzo explained they do have systems in place to detect fraud but that they need to balance their fraud prevention initiatives with their desire to provide a reliable and efficient service. This however means that, unfortunately, some fraudulent or scam transactions won't be recognised.

Monzo did however accept that their fraud investigation took longer than it should have. They apologised for this and paid Miss A £100 compensation for the trouble it caused.

The complaint was referred to the Financial Ombudsman. Our Investigator didn't however think Monzo had to do anything further. He said the payments would've been particularly unusual or suspicious to Monzo based on Miss A's normal account activity – noting she had made payments of a similar or greater value previously. And that, while scams involving crypto have become increasingly prevalent, the value and pattern of the payments wouldn't have given Monzo cause for concern that Miss A was at a heightened risk of financial harm from fraud. Because of this, he didn't think Monzo could've prevented Miss A falling victim to the scam.

Our Investigator added that he didn't think there were grounds for a chargeback claim given Miss A received the service from the crypto provider – that being the exchange of funds to crypto. And he thought the £100 compensation Monzo paid Miss A for the service issues she experienced was fair – which included delays and messages going unanswered.

Miss A disagreed. In short, she said:

- While it is true she has conducted larger transactions in the past, these were different in nature as they were transfers to family members or regular payments to known entities. Whereas these payments were to crypto providers which isn't consistent with her usual account activity. And so, Monzo should've flagged these payments as high-risk with additional scrutiny warranted.
- Although she didn't communicate her vulnerability to Monzo prior to the scam, their response after being made aware was insufficient. After she disclosed her anxiety and emotional distress Monzo offered support but then failed to respond when she reached out on multiple occasions. The £100 doesn't adequately reflect the impact of their lack of timely support.
- More weight should be given to her being coerced into making these payments through a highly sophisticated scam. And Monzo had an obligation to protect her from such scams, particularly given the rising number of crypto fraud cases.
- The crypto provider is also a payment processing service. And so, Monzo could've raised a chargeback claim based on her not receiving the promised services. The argument the service was provided by simply converting her funds into crypto is insufficient when the ultimate goal was fraudulent.
- In reference to the recent Supreme Court decision in Philipp vs Barclays, this doesn't absolve Monzo from making further fraud related enquiries. Nor does it imply that banks are prohibited from intervening in suspicious transactions to warn customers about potential scams. In fact, good industry practice suggests that where there is an obvious risk of fraud or financial crime, banks should take steps to protect their customers. Monzo failed to do that here.
- The introduction of the Financial Conduct Authority's Consumer Duty in July 2023 strengthens her case that Monzo should've intervened, or at the very least, provided warnings during the payment process. The failure to act, given the significant crypto risks, represents a lapse in Monzo's duty to protect her from financial harm.

Our Investigator considered what Miss A said but his position didn't change. He said banks should intervene if payments are unusual or out of character – as it may indicate a consumer is at risk of financial harm. But this doesn't mean banks have to stop every transaction or that they're liable for transactions that later turn out to be a scam. And here, he didn't think there was reasonable grounds for Monzo to intervene before processing the two payments. This was based on Miss A's prior account usage and as the payments were being made to a

well-known crypto provider – with many crypto payments being made legitimately. Because of this, there wasn't an obvious scam risk. He further added that, due to the circumstances of scam, including how it was introduced to Miss A, he didn't think Monzo could've prevented the payments being made even if they had intervened. And our Investigator reiterated that Miss A received the service from the crypto provider and so, he didn't believe a chargeback claim had any prospect of success.

Miss A remained in disagreement with our Investigator and asked for the matter to be reviewed by an Ombudsman. In short, and further to her previous submissions, she added:

- She strongly believed the nature of the payments – particularly as they were made to a crypto provider – should've triggered a closer review.
- The lack of support from Monzo after her vulnerability was disclosed significantly exacerbated the emotional harm she experienced. This requires greater consideration.
- The sophistication of the scam was beyond what a reasonable person would've detected at the time. Monzo had the tools and responsibility to intervene. And the notion she would've proceeded with the transaction regardless of any warning from Monzo is speculative. A clear timely warning from her bank would've given her a chance to reconsider her decision.
- While the crypto provider may have facilitated the crypto exchange, the ultimate purpose of the transaction was fraudulent. A chargeback should've been explored by Monzo, and the argument the service was provided is insufficient.

The matter has been passed to me to decide.

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 Miss A has been the victim of a scam, and I don't underestimate the impact this has had on her – both financially but also the emotional impact too. I'm extremely sympathetic to Miss A's situation and I want to reassure her that I've given this matter very careful consideration. But while I accept she's lost a significant amount of money due to being deceived by T, I must consider whether Monzo is responsible for the loss she has suffered. I know this won't be the outcome Miss A is hoping for, but for similar reasons as our Investigator, I don't think they are. So, I don't think Monzo has acted unfairly by not refunding the payments. I'll explain why.

Before I do, I'd like to say at the outset that if there is a submission I've not addressed; it isn't because I've ignored the point. It's simply because my findings focus on what I consider to be the central issue in this complaint – that being whether Monzo is responsible for Miss A's loss.

In broad terms, the starting position in law is that a bank is expected to process payments that their customer authorises them to make. It isn't disputed that Miss A knowingly made the payments from her Monzo account – albeit under the direction of the scammer as she believed T to be a legitimate firm. And so, I'm satisfied she authorised them. Therefore, under the Payment Services Regulations 2017 and the terms of her account, Monzo are expected to process Miss A's payments and she is presumed liable for the loss in the first instance.

However, taking into account the regulatory rules and guidance, relevant codes of practice and good industry practice, there are circumstances where it might be appropriate for Monzo to take additional steps or make additional checks before processing a payment to help protect customers from the possibility of financial harm from fraud.

So, the starting point here is whether the instructions given by Miss A to Monzo (either individually or collectively) were unusual enough to have expected additional checks to be carried out before the payments were processed.

When considering this, I've kept in mind that banks process high volumes of transactions each day. And that there is a balance for Monzo to find between allowing customers to be able to use their account and questioning transactions to confirm they're legitimate – as it wouldn't be practical for banks to carry out additional checks before processing every payment.

Miss A has highlighted the sophistication of the scam here. And as part of it, she was convinced by T to set up an account with a legitimate crypto provider. While the crypto provider in question here, like many others, are sometimes used for this purpose, it's also used by many individuals to invest in crypto legitimately. Because of this, I wouldn't necessarily have expected Monzo to have carried out additional checks before processing the payments simply because they were going to a crypto merchant. But rather, I would expect them to take steps to protect customers that are proportionate to the identifiable risk.

Having looked at Miss A's prior account usage, her account was typically used for low value day to day transactions. But she also made occasional higher value payments – like those being disputed here. As Miss A has pointed out, these similar payments weren't to crypto providers but instead, they were mostly transfers to herself, family members or known entities. While that might be true, it does mean that the disputed payments wouldn't have been seen as unusual or suspicious based on their value alone. And I'd also add that it is common for customers to make larger payments from time to time as part of normal account activity. Furthermore, the payments weren't made in rapid succession, nor did they fully deplete Miss A's account balance or take her overdrawn (which can be indicators of potential fraud).

It follows that, while there are circumstances where it might be appropriate for Monzo to take additional steps or make additional checks before processing a payment, for the above reasons, I think it was reasonable for Monzo to assume the payments here were being made for legitimate crypto purposes. And so, I think it was reasonable for Monzo to process the payments upon receiving Miss A's instruction(s).

I've considered whether, on being alerted to the scam, Monzo could reasonably have done anything to recover Miss A's losses, but I don't think they could. The only possible option for recovery here, given the payments were made by debit card, would have been for Monzo to have attempted a chargeback against the payee – that being the crypto provider. They couldn't raise a chargeback against T, as they didn't receive the funds directly. And although I know she disagrees, the service Miss A requested from the crypto provider in relation to the debit card transactions from her Monzo account was the exchange of funds to crypto. It wasn't the investment of funds with T – as that was undertaken via separate transactions from Miss A's crypto wallet with the crypto provider. Given the crypto provider fulfilled the expected service by way of providing the crypto, there wasn't any reasonable prospect of a chargeback claim being successful.

I have a great deal of sympathy for Miss A and the loss she's suffered. I appreciate she is the innocent victim of a scam, and I understand her mental health condition may have made her more vulnerable to it. But Monzo weren't aware of Miss A's vulnerability at the time and

so, they wouldn't have had reason to suspect she was at greater risk of falling victim to a scam. And it would only be fair for me to direct Monzo to refund her loss if I thought Monzo was responsible – and I'm not persuaded that this was the case.

I've also considered the level of service Miss A received at the point she notified Monzo of the scam. Having looked at what happened, there were occasions whereby the delay in Monzo's investigation was because of them awaiting information from Miss A that they'd requested. Nevertheless, there was a period of several weeks in February 2024 when Monzo failed to respond to several requests for an update/response from Miss A. Understandably, this non-response would've likely cause unnecessary concern for Miss A during a difficult period. And while I appreciate Monzo has explained the delay in their investigation was caused due to a backlog of complaints, in which they deal with in date order for fairness, I consider much of this delay could've been avoided – particularly as the outcome reached was based on the funds being lost from the crypto provider, which Miss A (from what I've seen) first told Monzo on 1 January 2024. So, I think Monzo's outcome to the scam claim could've been provided sooner.

I've therefore thought about whether the £100 compensation Monzo has paid is fair here. And I've taken into account that, while the service provided by Monzo likely exacerbated the impact of the scam on Miss A, the primary cause for it was T – as they were the party that scammed her. So, while I don't dispute that Monzo could've alleviated some of the anxiety and stress Miss A suffered from, they weren't entirely responsible but rather they contributed to it. With this in mind, I don't think the £100 Monzo paid in recognition of this is unreasonable in the circumstances. And so, I'm not going to increase it.

For the above reasons, I think Monzo has acted fairly and so I'm not going to tell them to do anything further.

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 A to accept or reject my decision before 29 May 2025.

Daniel O'Dell
Ombudsman