

The complaint

Mrs S says Monzo Bank Ltd ("Monzo"), didn't do enough to help when she fell victim to a scam. She says Monzo should reimburse the money she lost.

What happened

As both parties are familiar with the circumstances of this complaint, I've summarised them briefly below.

In summary, Mrs S fell victim to a scam. Mrs S had recently set up a sellers account on a well-known online website. She received a message which she thought was genuine and was made to believe that she needed to make a payment in order to keep her account open. Mrs S was sent a QR code which enabled her to facilitate a card payment. Sadly, Mrs S was being scammed and the card payment Mrs S made went to a cryptocurrency exchange provider. So, in essence, a scammer had got Mrs S to authorise the purchase of cryptocurrency which was carried out by the genuine cryptocurrency exchange provider but with the scammer receiving the funds.

| Date | Type of transfer | Amount |
|-------------|-------------------------|---------------|
| 20/03/2024 | Debit card payment | £205.03 |

Mrs S quickly realised she had fallen victim to a scam when she was asked for more money.

Mrs S reported the matter to Monzo on the same day to see if her funds could be reimbursed or recovered. As the payment had already gone through it wasn't able to be stopped. And ultimately Monzo didn't consider it was liable for the loss Mrs S incurred. Monzo, within its final response letter to Mrs S, offered and paid £25 for poor customer service in not escalating her complaint in a timely manner.

Unhappy with Monzo's response, Mrs S brought her complaint to our service.

Our Investigator reviewed the matter and didn't recommend the complaint be upheld. They were satisfied Mrs S had authorised the payment and they didn't think Monzo ought to have done more to identify the payments as potentially fraudulent in the circumstances. They didn't consider Monzo ought to have had a cause for concern that Mrs S was potentially at risk of financial harm, or that she was falling victim to a scam to an extent that it ought to have intervened and questioned her further about the card payment.

With regards to the recovery of any funds, as the services were provided by the merchant, the Investigator considered there wasn't anything further that Monzo could do to recover the funds. They considered a 'chargeback' against the merchant, wouldn't have any prospect of success as the merchant had carried out the services required of it.

Mrs S disagreed with the Investigator's opinion and thought more should have been done by Monzo to prevent her loss.

As Mrs S disagreed with the Investigator's opinion, and as the matter hasn't been resolved, it's 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.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

I'm aware that I've summarised this complaint and the responses briefly, in less detail than has been provided, and in my own words. No discourtesy is intended by this. Instead, I've focussed on what I think is the heart of the matter here – which is to determine whether Monzo should have done more to prevent, or recover, Mrs S's loss. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is the right outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as an alternative to the courts.

Having thought very carefully about Monzo's actions, I'm not upholding Mrs S's complaint. I do appreciate how disappointing this will be for her. Mrs S was the victim of a cruel scam. But in weighing everything up, I don't think I can fairly say Monzo should reimburse her. I'll explain why.

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 terms and conditions of the customer's account.

It is agreed by all parties that Mrs S made the card payment. So it is the case that Mrs S authorised the payment that is in dispute. And under the Payment Service Regulations 2017 (which are the relevant regulations in place here) that means Mrs S is responsible for it. And that remains the case even though Mrs S was the unfortunate victim of a scam.

However, there are times when I might expect a bank to question a transaction or payment, even though it may have been properly authorised. Broadly speaking, firms (like Monzo) should fairly and reasonably have been on the lookout for the possibility of fraud in order to protect its customers from the possible risk of financial harm as a result of fraud and scams.

What does this mean for Mrs S?

In this case, I need to decide whether Monzo acted fairly and reasonably in its dealings with Mrs S when she made the payment, or whether it should have done more than it did.

I've thought about this carefully. Having done so, I can't fairly say the payment Mrs S made would (or should) have alerted Monzo that Mrs S was potentially at risk of financial harm, to an extent whereby it should have carried out some additional checks before processing the payment. So I don't consider Monzo are liable for the loss Mrs S incurred. I'll explain why.

I have to be mindful that banks process a high volume of transfers and transactions each day. And a bank has to strike a balance as to when it should possibly intervene on a payment against not holding up or delaying its customer's requests.

Here, I don't consider there is anything unusual or remarkable about the payment or the amount that ought to have alerted Monzo to the possibility Mrs S was being scammed or was at risk of financial harm. And while I appreciate it was a lot of money to Mrs S, given the volume of payments Monzo processes, the amount wasn't so significant that I would expect Monzo to carry out some additional checks on it.

While it was a payment that was identifiably going to a cryptocurrency exchange provider – that in and of itself doesn't automatically mean that Mrs S was potentially falling victim to a scam. It is a genuine cryptocurrency exchange provider and here Mrs S had authorised the payment to it. So Monzo were satisfied that Mrs S was making the payment and the amount wasn't so remarkable in value that it ought to have given Monzo cause for concern that Mrs S was at risk. Had the amount been larger or had Mrs S made further multiple payments in quick succession, it may have flagged on Monzo's fraud detection system for additional checks, or it may have sought to provide a warning. But that wasn't the case here.

So all things considered; I think it was reasonable that the payment didn't flag as suspicious – and I can't say Monzo acted unfairly here.

Recovery of the funds

I have also considered whether Monzo did all it could to try and recover the money Mrs S lost.

Mrs S contacted Monzo as quickly as she could, but unfortunately the payment, having been authorised, couldn't be stopped. And, due to the nature of this type of scam, with Mrs S making a card payment to a genuine merchant (who carried out the service albeit with the fraudster receiving the benefit) it unfortunately meant there wasn't anything further Monzo could do to help Mrs S recover her funds such as through a 'chargeback', as there was no prospect of success. This is because the 'chargeback' would be against the merchant – and here the merchant had legitimately carried out its service.

Distress and inconvenience

I note that Monzo offered and paid £25 for the delay in it raising Mrs S's dissatisfaction at the outcome of the fraud claim to a formal complaint. I'm glad to see that Monzo identified that its errors caused an unnecessary delay which would have caused additional distress and inconvenience. I consider the amount offered and paid fairly recognises this, as I am mindful that the majority of the distress and inconvenience caused to Mrs S stems from the scammer and being the victim of the scam. But Monzo did cause an unnecessary delay and has acknowledged that – as I would expect it to.

Summary

While I appreciate Mrs S has been the unfortunate victim of a cruel scam, I think Monzo's decision not to refund her in this instance was fair and reasonable in the circumstances.

I say this because I'm satisfied Monzo followed Mrs S's instructions to make the payment and I haven't seen any reason why it shouldn't have done this. And unfortunately, there wasn't anything further Monzo could do to help Mrs S recover the card payment, such as through a 'chargeback', as there was no prospect of success given the nature and purpose of the payment Mrs S made meaning it would have successfully been defended by the merchant.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 19 November 2024.

Matthew Horner
Ombudsman