

The complaint

Mr C is unhappy Monzo Bank Ltd will not refund the money he lost as the result of a scam.

He brought his complaint to this service through a representative. For ease of reading I will refer solely to Mr C in this decision.

What happened

Both parties are aware of the details of the scam so I won't repeat them in full here. In summary, Mr C made sixteen payments by debit card to four different crypto currency platforms. They totalled £21,248.52 as set out below:

transaction	date and time	value
1	14/07/2023 08:50	£164.17
2	14/07/2023 11:32	£292.88
3	14/07/2023 11:36	£15.41
4	14/07/2023 17:12	£664.37
5	14/07/2023 18:06	£38.54
6	15/07/2023 06:49	£1,113.72
7	27/07/2023 15:56	£408.79
8	31/07/2023 14:03	£1,575.03
9	05/08/2023 11:26	£2,937.54
10	09/08/2023 12:04	£2,204.60
11	12/08/2023 12:32	£1,244.43
12	18/08/2023 11:51	£7,873.12
13	19/08/2023 14:24	£1,891.64
14	26/08/2023 08:21	£100.00
15	29/08/2023 11:38	£644.69
16	29/08/2023 12:30	£79.59

Mr C thought he was funding crypto accounts to allow him to complete certain tasks (rating apps) that would then generate income for him. He was offered the opportunity by an unsolicited contact on WhatsApp. He realised it was a scam when he was asked to deposit more funds before being able to withdraw any of his income. He says Monzo should refund his losses as it failed to protect him.

Monzo says when Mr C opened his account he told it the purpose of the account was for crypto spending so the activity did not look suspicious. It routinely sees customers making several legitimate cryptocurrency payments a day, often to take advantage of fluctuations in exchange rates which can change very quickly. All Mr C's payments were made online using 3D Secure authentication that provides an extra layer of security. A chargeback claim would not have been successful in these circumstances so it was unable to recover the money for Mr C.

Our investigator upheld Mr C's complaint in part. He said Monzo ought to have made direct contact with Mr C at the time of transaction 10 as its records show it already had concerns about the payments by this stage. And he thought an adequate intervention would have broken the spell of the scam. However, he concluded Mr C should only receive a 50% refund of transactions 10 to 16 as some of his decisions and actions had contributed to his losses.

Mr C accepted this assessment. Monzo did not respond.

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.

There's no dispute that Mr C made and authorised the payments. Mr C knew who he was paying, and the reason why. At the stage he was making these payments, he believed he was transferring funds to crypto accounts to allow him to unlock tasks and in turn income opportunities. I don't dispute Mr C was scammed and he wasn't making payments for the reason he thought he was, but I remain satisfied the transactions were authorised under the Payment Services Regulations 2017.

It's also accepted that Monzo has an obligation to follow Mr C's instructions. So in the first instance Mr C is presumed liable for his loss. But there are other factors that must be considered.

To reach my decision I have taken into account the law, regulator's rules and guidance, relevant codes of practice and what was good industry practice at the time. To note, as the payments were made by debit card the principles of the Contingent Reimbursement Model (CRM) code do not apply in this case.

I think that Monzo should have:

- been monitoring accounts and payments made or received to counter various risks, including fraud and scams, money laundering, and the financing of terrorism.
- had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (amongst other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which financial institutions are generally more familiar with than the average customer.
- in some circumstances, irrespective of the payment channel used, taken additional steps or made additional checks before processing a payment, or in some cases declined to make a payment altogether, to help protect its customers from the possibility of financial harm.

I think Monzo should be liable for 50% of payments 10 to 16. I'll explain why.

I think it was reasonable for Monzo to process transactions 1 to 9. There is a balance to be struck. Banks have obligations to be alert to fraud and scams and to act in their customers' best interests. But they can't reasonably be involved in every transaction, this would cause unsustainable disruption to legitimate payments activity.

Mr C had told Monzo he was going to use his account for spending on cryptocurrency so the payees were in line with his stated intent. The values were initially low on 14 August 2023, and the subsequent transactions were spread out over a three-week period and not made in rapid succession. Given what Monzo knew I can't see that transactions 1 to 9 had any

characteristics that suggested Mr C was at risk of financial harm.

However when Mr C tried to make payment 10 Monzo blocked it to give it time to conduct an internal fraud review as it had flagged as high risk. It concluded the payment was legitimate and lifted the block. But I find it ought to have asked Mr C about the payment, particularly as he had made contact with Monzo to ask why it had been blocked - and it already had concerns. Instead its interaction with Mr C focused on what he needed to do to regain access to his account.

This means I need to consider what would most likely have happened if Monzo had spoken to Mr C. Had it asked him the questions I would expect it to in order to understand the basic context of the spend – what the payment was for, was it connected in any way to recent payments to the same and similar payees - I think the spell of the scam would most likely have been broken. I have no reason to believe Mr C would not have relayed information that would have alerted Monzo to the possibility that he was at risk of financial harm – things like the fact he was having to pay to earn in effect, that he had no contract of employment, that the opportunity had come about from an unsolicited WhatsApp contact. I haven't found any evidence that the scammer had coached Mr C about how to respond to such questions, and so find it is most likely he would have been open about the work he was undertaking. And I think Monzo would have quickly identified many of the common characteristics of a job/task scam and been able to prevent Mr C making any further payments.

It follows I think Mr C would not have gone ahead with payment 10, nor any subsequent payments had Monzo made an appropriate intervention.

Should Mr C bear some responsibility for the overall loss?

I've considered carefully whether Mr C should hold some responsibility for his loss by way of contributory negligence. Accepting that he is not the fraud expert - that is the role of Monzo, I do think he missed some clear signs that the opportunity might not be legitimate. The rate of pay for very little time and effort fell in the category of too good to be true. Having to pay money to do a paid job is unusual and should have raised Mr C's suspicions, particularly as Mr C had no contractual terms of employment to review and accept, nor was there any documentation setting out the terms of the deposits onto multiple crypto currency platforms. It follows I think the parties are equally liable.

I am therefore instructing Monzo to refund 50% of Mr C's losses from transactions 10 to 16.

Did Monzo do what it should to try to recover Mr C's money?

As he made the payments using his debit card, the only potential recovery option would have been through the chargeback scheme.

The chargeback process is voluntary and run by the card scheme whereby it will ultimately arbitrate on a dispute between the merchant and customer if it cannot be resolved between them. Such arbitration is subject to the rules of the scheme — so there are limited grounds on which a chargeback can succeed or be deemed a 'valid claim'.

Our role in such cases is not to second-guess the card scheme rules, but to determine whether the regulated card issuer, so here Monzo, acted fairly and reasonably when presenting (or choosing not to present) a chargeback on behalf of its customer.

There is not a specific chargeback claim/code for scams, and here the recipients of the funds from Monzo – the crypto exchanges - had provided the services Mr C had 'bought'.

They had transferred funds to the wallets Mr C specified, albeit these belonged to the scammer. So I find that there was no reasonable chance of any chargeback claims being successful. I therefore do not find Monzo acted in error in this regard.

Putting things right

Monzo must:

- Refund 50% of payments 10 onwards to Mr C (so £7,019.04).
- Add interest at a gross annual rate of 8% simple, from the date of loss until the date of settlement (if Monzo deducts tax from this interest, it should provide Mr C with the appropriate tax deduction certificate).

My final decision

I am upholding Mr C's complaint in part. Monzo Bank Ltd must put things right as set out above,

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 27 November 2024.

Rebecca Connelley
Ombudsman