

The complaint

Ms A is being represented by solicitors. She's complaining about Monzo Bank Ltd because it won't refund money she lost as the result of fraud.

What happened

Sadly, at the end of 2023, Ms A fell victim to a cruel job scam. She was contacted online by someone offering her online work that involved writing reviews for which she'd receive payment. To gain access to job tasks, Ms A transferred money to cryptocurrency accounts in her own name before this money was then transferred into accounts controlled by the scammer. She made the following card payments from her Monzo account to two different cryptocurrency platforms:

Payment	Date	Amount £
1	21 December	300
2	21 December	200
3	22 December	1,500
4	22 December	3,000
5	22 December	3,000
6	22 December	100
7	22 December	3,000
8	23 December	3,000
9	23 December	2,500
10	23 December	2,500
11	24 December	1,500
12	24 December	2,500

After Ms A tried to make a further payment on 24 December, Monzo contacted her to discuss what the payments were for. It was following these conversations that she realised she'd been the victim of a scam.

Our investigator recommended the complaint be partly upheld. She felt Monzo should have identified Ms A could be at risk of harm from fraud as early as payment 4 on 22 December. She concluded that if it had intervened appropriately at that stage, the scam would have been uncovered and further payments would have been prevented.

Ms A accepted the investigator's assessment. Monzo didn't and made the following key points:

- It's required to make best efforts to detect/prevent scams via designing, testing, tailoring and monitoring fraud detection and scam messages. It's not a requirement to provide them, but a requirement to make best efforts, which it believes it does.
- There's no guidance suggesting there was an appropriate time for Monzo to intervene, and there's legal precedent that banks ought not to intervene in instances where there's no perceived threat of fraud, as in this case.

- These transactions were indisputably legitimate, between Ms A and her own cryptocurrency accounts over which she had full control. There's no guidance suggesting Monzo is liable in this scenario and there was no factual reason for preventing them.
- The payments were made to legitimate cryptocurrency exchanges with robust security protocols. For example, they only accept deposits from bank accounts where the name matches the account holder. They also provide scam warnings on their website and in-app, meaning Ms A would have seen friction warnings when making these payments, even if they weren't directly from Monzo.
- As well as scam warnings provided by the cryptocurrency exchanges, there was also information available online, including on the regulator's website, that Ms A would have seen if she'd carried out due diligence.
- It's not plausible for Monzo to prevent or apply friction to every payment a customer makes and it has no legal right to do so. So it's impossible for it to prevent every scam.

The complaint has now been referred to me for review.

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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. I haven't necessarily commented on every single point raised but concentrated instead on the issues I believe are central to the outcome of the complaint. This is consistent with our established role as an informal alternative to the courts. In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

In broad terms, the starting position at law is that a bank such as Monzo is expected to process payments a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of their account. In this context, '*authorised*' essentially means the customer gave the business an instruction to make a payment from their account. In other words, they knew that money was leaving their account, irrespective of where that money actually went.

In this case, there's no dispute that Ms A authorised the above payments.

There are, however, some situations where we believe a business, taking into account relevant rules, codes and best practice standards, shouldn't have taken its customer's authorisation instruction at 'face value' – or should have looked at the wider circumstances surrounding the transaction before making the payment.

Monzo also has a duty to exercise reasonable skill and care, pay due regard to the interests of its customers and to follow good industry practice to keep customers' accounts safe. This includes identifying vulnerable consumers who may be particularly susceptible to scams and looking out for payments which might indicate the consumer is at risk of financial harm.

Taking these things into account, I need to decide whether Monzo acted fairly and reasonably in its dealings with Ms A.

The payments

I'm not suggesting that Monzo should have applied friction to every payment Ms A tried to make. That would clearly be impractical. I also accept it wasn't required to do so where it was reasonable to believe there was no threat of fraud. But I do believe its responsibility to have regard for her interests included making an appropriate intervention if it had reason to suspect she may be at risk of harm from fraud, and that it wouldn't have been sufficient to rely solely on warnings it expected the provider of the receiving account would give in that situation. The fact Monzo intervened before processing a further payment was made on 24 December suggests it doesn't dispute this point. So, it seems the issue at the heart of this dispute is at what point it should have perceived a threat and intervened rather than whether it should have intervened at all.

There's no dispute the payments went to genuine cryptocurrency providers, but that doesn't mean Monzo shouldn't have questioned them if it had good reason to suspect they were ultimately part of a scam. Losses to cryptocurrency fraud reached record levels in 2022 and, by the end of that year, many high street banks had placed restrictions or additional friction on cryptocurrency purchases owing to the elevated fraud risk. So, whatever reassurance it might have taken from the processes of the providers involved, I think Monzo should have recognised that payments to cryptocurrency carried a higher risk of being associated with fraud by the time these payments took place.

The first three payments were for relatively low amounts and on their own wouldn't necessarily have raised undue concern. But by the time she was making payment 4, Ms A had instructed four separate payments totalling £5,000 to cryptocurrency exchanges in the space of just two days. A review of the account history indicates she hadn't been involved with cryptocurrency before and that these payments were entirely out of character with previous account activity. Throughout the previous year the account had seen only low-value transactions, with the largest payment out for just £237.

In view of the amount of money now involved and what it should have known about the links between cryptocurrency and fraud, I also think payment 4 is the point at which Monzo should have intervened before continuing to transfer money in line with Ms A's requests. I think an appropriate intervention would have involved asking Ms A open questions about what the payments were ultimately for and how they came about, in much the same way as it did on 24 December.

I've listened to recordings of Monzo's conversations with Ms A on 24 December to assess whether an earlier intervention of this type would have stopped the fraud sooner. Ms A was initially confident the payments were being made for a genuine reason, but Monzo's agent was adept at questioning her and raising the possibility that this might not be the case. Their initial conversation raised sufficient doubt for Ms A that she was prompted to carry out further checks on her own. By the time she spoke to the agent again later that day, she'd developed serious doubts and the agent was then able to confirm she'd been the victim of a scam and stop her paying any more money.

If Monzo had carried out a similar intervention before processing payment 4 on 22 December, as I believe it should have for the reasons I've explained, I think it's more likely than not the fraud would have been uncovered at that stage and that payment would have been prevented. And further, that Ms A wouldn't have instructed any more payments to her cryptocurrency accounts, which were set up solely to facilitate the scam.

Recovery of funds

I've also considered whether Monzo took the steps it should have once it was aware the payments were the result of fraud. But in this case, I don't think it could have done anything differently that would have led to Ms A's money being successfully recovered.

Ms A transferred funds to legitimate cryptocurrency accounts in her name. From there, she purchased cryptocurrency and moved it onto a wallet address of her choosing (albeit on the scammers' instructions). If Monzo tried to recover the funds, it could only have tried to do so from Ms A's own account and it appears all the money had already been moved on and, if not, anything that was left would still have been available to her to access.

In conclusion

On balance, I think the evidence shows Monzo should have contacted Ms A to make an appropriate intervention before processing payment 4. And that if it had done, this would most likely have led to the scam being stopped at that point. It's for these reasons that I'm partly upholding this complaint.

Putting things right

The principal aim of any award I make is to return Ms A to the position she'd be in but for Monzo's failure to intervene and prevent the scam when I believe it should have. Had an appropriate intervention been attempted before processing payment 4 on 22 December 2023, I think that payment and all later payments to the scam would have been prevented and Ms A would still have had this money.

I've also considered whether it would be fair and reasonable for Ms A to bear some responsibility for her own losses here. In doing so, I've considered what the law says about contributory negligence but kept in mind that I must decide this complaint based on what I consider to be fair and reasonable in all the circumstances. I've considered the evidence carefully and, while I accept Ms A genuinely believed these payments were in connection with a legitimate employment opportunity, I'm not persuaded that belief was a reasonable one.

For example, I've seen no evidence of a formal arrangement between her and the 'employer', such as a written contract setting out of the terms of employment. In addition, the arrangement was very different to the normal employer-employee relationship. In most circumstances, people expect to be paid by their employer, rather than the other way around. I wouldn't have necessarily expected Ms A to find online information about scams, including that provided by the regulator, as Monzo has suggested. But, in the circumstances, I do think she ought to have proceeded only with great caution and I think it's fair and reasonable for Monzo to make a 50% deduction from the redress payable.

To put things right, Monzo now needs to pay Ms A compensation of A + B, where::

- A = a refund of 50% of the amount of each of payments 4 to 12 outlined above; and
- B = simple interest at 8% per year on each amount being refunded from the date the payment was originally made until the date compensation is paid.

Interest is to compensate Ms A for not having the use of her money in the interim. HM Revenue & Customs (HMRC) requires Monzo to deduct tax from any interest. It must provide Ms A with a certificate showing how much tax has been deducted if she asks for one.

I'm satisfied this represents a fair and reasonable settlement of this complaint.

My final decision

My final decision is that I partly uphold this complaint. Subject to Ms A's acceptance, Monzo Bank Ltd should now put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 30 December 2024.

James Biles
Ombudsman