

The complaint

Miss K complains that Monzo Bank Ltd, trading as Monzo, failed to protect her from becoming the victim of a scam and did not appropriately warn her about a payment she made from her Monzo account. To make things right Miss K would like to be compensated for her financial loss, stress and inconvenience.

What happened

On 29 May 2024 Miss K paid just over £1500 via bank transfer to a seller on a social media site for a designer handbag. Miss K sent the payment to the seller and requested an update and tracking information from them but didn't receive it. The seller then blocked Miss K. At this point Miss K realised she had fallen victim to a scam.

On 11 June Miss K reported this to Monzo. Monzo tried to recover the money, but unfortunately they heard back from the firm that received the payment that no funds remained to recover. They let Miss K know this. On 28 June Monzo got back in touch with Miss K to let her know that they would not be refunding her. They noted that this was because they can only refund transfers sent to a UK account and because Miss K's payment was sent abroad, it didn't qualify for a refund.

Miss K raised a complaint to Monzo. On 2 July Monzo responded to Miss K's complaint. They acknowledged that there had been a delay in responding to Miss K's fraud report and she had been given incorrect information about how she could raise her complaint to the Financial Ombudsman Service. However, they noted that while they agreed Miss K had been scammed, they would not be refunding her money because they can only refund transfers sent to a UK account. Monzo paid Miss K £85, £60 to reflect the delay in the scam report handing times, and £25 to reflect the delay in responding to her complaint.

Miss K was not content with this response so raised her complaint to the Financial Ombudsman Service. Miss K noted that she felt Monzo should have warned her about the payment, and that Monzo's failure to do so and delays in responding to her were exacerbating her mental health symptoms. One of our Investigators looked into the complaint. Having reviewed all the information provided by Miss K and Monzo they thought Monzo had acted fairly and that they wouldn't be asking Monzo to refund Miss K. In summary, they noted that they didn't think the payment was particularly unusual or suspicious so wouldn't expect Monzo to intervene to warn Miss K and even if Monzo had intervened our Investigator wasn't convinced it would have stopped Miss K making the payment. Our Investigator thought Miss K could have done more to protect herself and that Monzo also responded promptly to try and recover her money. The Investigator noted that they took into account Miss K's mental health symptoms at the time but couldn't see she'd made Monzo aware of these before the scam so wouldn't expect them to have known about them and acted differently. They thought that the compensation Monzo had already paid Miss K to reflect the delays in handling her case was appropriate, and wouldn't be asking them to do anything further.

Monzo did not respond to our Investigator's view but Miss K did and she did not accept it. She noted that the Investigator had not taken into account how AI technology should have

been used to protect her and that the Investigator made incorrect assumptions about how she uses her money.

Because Miss K did not accept the investigators view the complaint 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.

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 this will likely disappoint Miss K, but having considered everything I'm afraid I'm not upholding her complaint, broadly for the same reasons as our Investigator, which I've set out below.

In broad terms, the starting legal position is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations (2017) and the terms and conditions of the customer's account. In this case it's not in question whether Miss K authorised the payment. It's accepted by all parties that Miss K gave the instruction to Monzo and Monzo made the payment in line with those instructions, and in line with the terms and conditions of Miss K's account.

Monzo have signed up to the voluntary Contingent Reimbursement Model (CRM) code. The starting principle of the CRM code is that a firm should reimburse a customer who is the victim of this sort of scam, except in limited circumstances. However, the CRM code only applies to payments made between two pound sterling accounts held in the UK. As Miss K paid the scammer in dollars to an international account, the CRM code doesn't apply here.

However, firms should fairly and reasonably have systems in place to look out for out of character or unusual transactions, or other signs that might indicate that its customers are at risk of fraud. I've carefully reviewed the information from both Miss K and Monzo, and while I understand how upsetting this situation is for Miss K, I don't believe it's fair to hold Monzo responsible for what happened because I don't think they should have intervened when Miss K made the payment. While £1500 is a lot of money to lose to a cruel scam, it is only one payment, and the payment value is relatively low. Even with the international element I don't think the transaction was such an apparent scam risk that Monzo should have intervened to warn Miss K.

Miss K argues that Monzo should have used AI technology to ask her as a matter of course about large transactions, for instance over £250, transfers to a new payee or international transfers, to warn her about potential scams. She notes other firms do this. I can't comment on the details of how Monzo's systems and processes work, but firms need to strike a balance between intervening in payments to try and prevent fraud or financial harm, against the risk of unnecessarily inconveniencing or delaying legitimate transactions. As I have explained, I don't think that the payment would have suggested to Monzo that Miss K was at risk of fraud or financial harm, so I don't think they should have intervened to warn Miss K.

Both our Investigator and Miss K have commented on whether such a warning would have made a difference, and whether Miss K could have done more to protect herself from the risk of being scammed. I appreciate why Miss K feels strongly about these issues. However, since I have found that Monzo acted fairly in not warning her I don't think how effective a warning might have been, or what else Miss K could have done to protect herself, would

make a difference to my judgement in this case.

Recovery of Funds

It's common in scams like this for funds to be withdrawn very quickly after they credit the account, often within minutes, and Miss K did not realise she had been the victim of a scam and report it to Monzo for several days. I've seen evidence that once Miss K reported the scam Monzo did try to contact the firm that received the payment, albeit unsuccessfully, to try and recover Miss K's money. Given this, I think Monzo acted fairly here.

Impact and Compensation

Miss K notes that Monzo's failure to stop the payment and delays in responding to her exacerbated her mental health symptoms. I can see why this experience would have been very upsetting for Miss K, particularly given her mental health symptoms. But the fault for the loss lies with the scammer, not Monzo. I don't think Monzo acted unfairly when they didn't warn Miss K or stop the payment, so I won't be directing them to compensate Miss K for this. However, Monzo accept there were delays in their handling of the case and I think that it is reasonable to expect Monzo to compensate Miss K for these delays. Monzo have already paid Miss K compensation of £85 in total to reflect the delays she experienced. I can also see that when Miss K informed Monzo about how the process was impacting her mental health, they messaged her to ensure she had support and shared resources with her. Overall, in the circumstances, I think the compensation already provided by Monzo to Miss K was appropriate, and I won't be asking them to do anything further here.

It's clear that Miss K was the victim of a horrible scam. I appreciate this is a significant amount of money to lose for Miss K, and will have been very upsetting. But this isn't enough, in and of itself, for Miss K to receive a refund. I do understand that my decision will be disappointing. But for the reasons I've set out above, I don't hold Monzo responsible for Miss K's loss, I think the compensation for delay already awarded is appropriate and I won't be upholding her complaint.

My final decision

My final decision is I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 26 December 2024.

Katy Grundy
Ombudsman