

The complaint

Mrs S complains that Monzo Bank Ltd didn't do enough to protect her from the financial harm caused by an investment scam, or to help her recover the money once she'd reported the scam to it.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mrs S saw an advert on social media for an investment company, which I'll refer to as "Y". She made an enquiry and was contacted by someone claiming to be a broker who I'll refer to as "the scammer". The scammer told Mrs S she could make money by investing in metals and cryptocurrency and advised her to use a trading platform which I'll refer to as "M".

Mrs S looked at reviews about Y and M on Trust Pilot and didn't see anything concerning. There were some mixed reviews about Y, but the scammer said they were posted by their competitors.

The scammer said she could begin with an initial investment of £250, which she paid using a credit card with another bank. The scammer advised her to open an account with Monzo and to first purchase cryptocurrency through a cryptocurrency exchange company before loading it onto an online wallet. She transferred funds from her other accounts to Monzo and made seven payments from Monzo via an online payments service between 27 July 2022 and 22 November 2022. When the final payment from Monzo was rejected by the merchant, the scammer told Mrs S to open an account with an EMI which I'll refer to as "R". Between 24 November 2022 and 22 February 2023, she made five transfers from R to a cryptocurrency exchange company which I'll refer to as "B".

Mrs S was able to monitor her investment on the trading platform, but when she asked to make a withdrawal, she was told she'd have to pay taxes to release her funds. And when she still didn't receive any money, spoke to a family member who alerted her to the scam.

Mrs S complained to Monzo but it refused to refund any of the money she'd lost, so she complained to this service with the assistance of a representative who argued the payments were out of character because they were larger and more frequent than previous payments on the account and Mrs S was paying a high-risk cryptocurrency merchant. They said Monzo should have intervened and had it done so it would have detected the scam because Mrs S was speaking to an unregulated broker, she'd been advised to set up new bank accounts and she'd used M, which was commonly associated with cryptocurrency scams.

Monzo confirmed the payments were made through its app, the reason given for opening the account was 'day-to-day or occasional spending', and it doesn't require customers to select a payment purpose. It said Mrs S was presented with a new payee warning and low-friction warnings were presented on the first payment, but there were no other interactions. It said she was paying an account in her own name and it's not unusual for money to be paid into

accounts from consumer's other accounts before being transferred to a cryptocurrency wallet in their name.

Our investigator felt the complaint should be upheld. She accepted there was no previous spending to compare the payments with, but she thought the £10,000 payment to a high-risk cryptocurrency merchant on 29 July 2022 ought to have raised concerns. She noted Monzo had provided a 'new payee' warning and a scam warning which warned: 'you may lose money if this is a scam', 'stop and get advice' and 'stop if the offer sounds too good to be true'. She didn't think the warning gave enough information about cryptocurrency scams and explained Monzo should have blocked the transaction and asked Mrs S probing questions about the payment.

Had it done so she thought it was likely Mrs S would have said she was using a third-party broker who she found via social media, and she'd been told to open new accounts for the sole purpose of sending funds for cryptocurrency. She explained that, with this information, Monzo should have warned Mrs S there was a high risk she was falling victim to a scam and there was no reason to think she wouldn't have decided not to go ahead with the payment. So, she thought Monzo should refund the money she'd lost from that payment onwards.

However, she thought Mrs S ought to have acted more cautiously before sending the funds because she'd seen information suggesting M was possibly a scam. She noted she'd asked the scammer about it, but she thought she should reasonably have sought advice from her bank as a broker would naturally reassure her there wasn't anything to worry about. She also noted there was evidence from the conversations Mrs S had with scammer that she knew the company wasn't regulated. So, she thought the settlement should be reduced by 50% for contributory negligence.

Monzo asked for the complaint to be reviewed by an Ombudsman. It had argued that the payments weren't suspicious or unusual because Mrs S was sending funds to a legitimate cryptocurrency exchange, and it wasn't liable as she was making payments to an account in her own name, and it was the onwards payments to the scammer where the fraud took place. It also argued that in *Philipp v Barclays*, the court held that banks are expected to carry out customer's wishes and it's inappropriate for it to decline to do so.

My provisional findings

I was satisfied Mrs S 'authorised' the payments for the purposes of the of the Payment Services Regulations 2017 ('the Regulations'), in force at the time. So, although she didn't intend the money to go to scammers, under the Regulations, and under the terms and conditions of her bank account, Mrs S is presumed liable for the loss in the first instance.

There's no dispute that this was a scam, but although Mrs S didn't intend her money to go to scammers, she did authorise the disputed payments. Revolut is expected to process payments and withdrawals that a customer authorises it to make, but where the customer has been the victim of a scam, it may sometimes be fair and reasonable for the bank to reimburse them even though they authorised the payment.

Prevention

I thought about whether Revolut could have done more to prevent the scam from occurring altogether. Buying cryptocurrency is a legitimate activity and from the evidence I'd seen, the payments were made to a genuine cryptocurrency exchange company. However, Monzo ought to fairly and reasonably be alert to fraud and scams and these payments were part of a wider scam, so I needed to consider whether it ought to have intervened to warn Mrs S when she tried to make the payments. If there are unusual or suspicious payments on an

account, I'd expect Monzo to intervene with a view to protecting Mrs S from financial harm due to fraud.

The first payment to the scam was for £4,000, and as it wouldn't have been obvious she was paying a cryptocurrency merchant, I didn't think Monzo needed to do any more than it did, which was present a new payee warning and a generic scam warning.

However, by the time Mrs S made the second payment on 29 July 2022, she was paying £10,000 to a high-risk cryptocurrency merchant and I agreed with our investigator that the generic warning wasn't proportionate to the risk presented by the payment. Our investigator felt Monzo ought to have asked Mrs S probing questions about the payment, but in the circumstances, I thought a written warning tailored to cryptocurrency scams would have been sufficient.

In considering whether a tailored written warning would have made any difference, I accepted Mrs S went ahead with the payments having received a scam warning, but this warning wasn't tailored to cryptocurrency investment scams, so I didn't think her actions were indicative of what she'd have done following a tailored cryptocurrency warning from Monzo.

However, Mrs S listened to the scammer's explanation for the negative reviews she'd seen about Y on Trust Pilot before she decided to go ahead with the investment. And when she opened the account with R, she said the account purpose was budgeting, rewards, and transfers, something she was likely instructed to do by the scammer, in the same way she was told to start making payments from R when the final payment from Monzo was rejected by the merchant.

In considering how Mrs S would have reacted to a tailored cryptocurrency scam warning, I was mindful that she was never given a relevant or effective warning. But, while these examples are not evidence of Mrs S having ignored warnings or advice from her bank, they show she trusted the scammer, he was providing guidance on her dealings with her banks, and, critically, her actions demonstrated she was open to following this guidance.

If the warning from Monzo had mentioned the involvement of a broker, adverts on social media, small initial investments and onwards payments from cryptocurrency exchanges, I thought it might have caused Mrs S to pause before making the payment. But, based on her conduct leading up to this point, I thought she'd have sought the scammer's advice, and, as she wouldn't have been interacting with one of Monzo's agents, I thought the scammer would have been able to persuade her that the investment was genuine and to ignore the warning.

So, while I thought Monzo missed an opportunity to intervene, I didn't think this represented a missed opportunity to have prevented the scam.

Compensation

The main cause for the upset was the scammer who persuaded Mrs S to part with her funds and as I haven't found any errors or delays to Monzo's investigation, I didn't think she was entitled to any compensation.

Recovery

I didn't think there was a realistic prospect of a successful recovery because Mrs S paid an account in her own name and moved the funds onwards from there.

Developments

Mrs S's representative has told us that she doesn't accept my provisional findings.

The representative has stated that the explanation given by the scammer about the negative reviews was plausible, and that it's unfair to assume Mrs S wouldn't have heeded a tailored written warning because she went ahead with the investment having seen the mixed reviews. They've argued that it's not unusual for customers to trust companies that have mixed reviews and that we frequently assess the research that a consumer has done to consider whether a contributory negligence deduction should be applied, rather than rejecting the case in full, so my provisional findings are inconsistent with the wider view of this Service when it comes to mixed reviews.

The representative has also argued that if Monzo had provided relevant warnings and advised her that no legitimate investment company would operate without FCA authorisation, ask her to create new bank accounts, or to pay withdrawal fees or taxes, Mrs S would have discussed her concerns with her husband or the bank, and the scam would have been uncovered (in the same way the scam was eventually uncovered).

Finally, they've commented that when Mrs S opened the account with R, she chose the account purpose as 'budgeting, rewards, and transfers', which indicates she didn't receive instructions on what account purpose to select.

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've considered the additional comments made by Mrs S's representative, but I'm afraid the findings in my final decision will be the same as the findings in my provisional decision.

Mrs S's representative has argued the account purpose Mrs S chose when she opened the R account shows she wasn't coached on which option to choose, but it wasn't the most appropriate option and, considering she'd opened both accounts on the scammer's advice, I think it's more likely than not that she was guided by the scammer on which account purpose to select.

I accept it won't always be unreasonable for a consumer to go ahead with an investment having seen negative or mixed reviews online, and that we often consider whether they've seen negative reviews as a factor in our assessment of whether a settlement should be reduced for contributory negligence. I agree the explanation is plausible, but as part of my assessment of whether a tailored written warning from Monzo would have made a difference to Mrs S's decision to make the payments, I consider this is evidence that the scammer was guiding her around her dealings with her banks and that she was open to following this guidance.

I maintain the evidence supports that the scammer would have been able to persuade Mrs S that the investment was genuine and to ignore a tailored written warning from Monzo, and while I accept she was eventually alerted to the scam by her husband, this was towards the end of the scam period when she'd been prevented from making a withdrawal. Significantly, I remain satisfied that in July 2022, Mrs S trusted and was being guided by the scammer to the extent that she'd have sought and listened to the scammer's advice about the warning.

I'm sorry to hear Mrs S has lost money and the effect this has had on her. But for the reasons I've explained, I don't think Monzo is to blame for this and so I can't fairly tell it to do anything further to resolve this complaint.

My final decision

My final decision is that 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 16 December 2024.

Carolyn Bonnell
Ombudsman