

## **The complaint**

Miss S complains that Monzo Bank Ltd hasn't refunded her after she fell victim to a scam.

## **What happened**

The background to this complaint is well known to all parties, so I'll briefly summarise the circumstances here.

Miss S received a call from a withheld number. The caller was a scammer but claimed to be from Monzo. They knew various details about her.

It appears Miss S had previously responded to a fake delivery text and the scammer used these harvested details to convince her they were from Monzo. They said someone was attempting payments on her account and that her money was under threat. She was also told a loan had been applied for.

Miss S was panicked into action and followed the scammer's instructions. She was told she'd need to counter the loan application by drawing the funds right away, so they could then be fed into the account. She did as she was asked and went through the process to apply for a £20,000 loan which credited her account right away.

Miss S was then told to move the money to another account held elsewhere, with a firm I'll call R. She was told to make payments in small amounts and did as instructed, sending transfers with an average value of around £450. There were 30 such payments made within 90 minutes.

The money was then moved out of Miss S' account with R through transactions to merchants, using a remote token Miss S was tricked into setting up on a device in the hands of the scammers. Miss S was told the merchants' names were being used so the fraudsters wouldn't be tipped off as to what was happening.

Miss S says she realised she'd been scammed when she was locked out of her banking app with R, which prompted her to search for fraud advice online. She went on to report what had happened to Monzo and R.

Both firms looked into what had happened but said they wouldn't reimburse Miss S' loss. Miss S then brought her complaint to our service and one of our investigators looked at what had happened.

He concluded that both Monzo and R ought to have recognised Miss S was at risk of financial harm from fraud, given the unusual transaction pattern that had developed on the respective accounts. He said that each should have intervened on that basis and believed such intervention would have seen the scam avoided. Because of that, he recommended both R and Monzo bear some responsibility for Miss S' loss. He also recommended Miss S bear some responsibility given there were some key parts of the scammer's story that didn't make sense and ought to have been questioned at the time.

As he'd found all three parties ought to bear some responsibility, he said each should bear one third of the cost. There were three payments where only Monzo and Miss S would share responsibility, given R couldn't be said to have been on notice as early in the scam as Monzo.

R accepted our investigator's findings and so did Miss S. But Monzo didn't. It initially responded to say it couldn't and shouldn't be held responsible for payments made to one of Miss S' own accounts and where her ultimate loss was from that account. Our investigator responded to say that Monzo's reasons for not accepting the view didn't change his mind. He explained further that there were clear signs Miss S was at risk of financial harm and that Monzo could have prevented that harm. Monzo didn't then respond further and so the complaint has been passed to me for a final decision.

Miss S had also asked about the writing off of the loan. But our investigator found it wouldn't be fair and reasonable to do so, noting it had been applied for properly and wasn't identifiably part of a scam at the time.

### **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'm upholding it and for broadly the same reasons as our investigator.

Monzo's response to our investigator's initial findings was brief. And there was then no response to his follow-up points. There has also been no substantive reply to my attempts to resolve Miss S' complaint informally. That being the case, I don't intend to go into great detail here.

Broadly speaking, Miss S is responsible for any payments made from her account which are properly authorised, as they were here. And Monzo has a duty to process valid payment instructions quickly and with minimal friction. These positions are set out in the Payment Service Regulations (2017) and confirmed in Miss S' account terms and conditions.

However, taking into account the relevant law, regulations, industry guidance, and best practice, firms like Monzo ought fairly and reasonably to have systems in place to monitor transactions and accounts for signs that its customer might be at risk of financial harm through fraud. Where such risks are detected, there ought to be action from the bank to intervene through the giving of warnings and scam education. Sometimes, that will mean stopping a payment so that the customer can be questioned directly about it.

Where there is a failure by a firm to properly intervene and protect a customer, it might then be fair and reasonable to say that firm becomes responsible for the customer's loss. And so, in Miss S' case, it's for me to determine if Monzo made an error(s) over the course of the scam and, if so, whether it's fair and reasonable for it to be held responsible for Miss S' losses as a result.

Monzo should also have been aware of the increase in multi-stage fraud when considering the scams that its customers might become victim to. Multi-stage fraud involves money passing through more than one account under the consumer's control before being sent to a fraudster. Our service has seen a significant increase in this type of fraud over the past few years and it's a trend Monzo ought fairly and reasonably to have been aware of at the time of the scam too.

The fact that the money used to fund the scam wasn't lost at the point it was transferred to Miss S' own account does not alter that fact and I think Monzo can fairly be held responsible for Miss S' loss in such circumstances. I don't think there is any point of law or principle that

says that a complaint should only be considered against either the firm that is the origin of the funds or the point of loss.

Our investigator found that Monzo ought to have stepped in to question what was happening by the time Miss S had made eight payments in under 30 minutes. I agree that the payment activity had become sufficiently unusual by that point to warrant intervention, given the frequency of the payments and the combined value of funds sent. Particularly considering there had just been a significant loan application. That payments were made to an existing payee and that receiving the account was in Miss S' name doesn't alter my findings here. The activity bore the hallmarks of well-known safe account scams.

I'm then satisfied Monzo can be fairly and reasonably held partly responsible for Miss S' loss.

Miss S has already accepted her own responsibility for some of the loss, following our investigators findings. This means there isn't an outstanding dispute about whether she should bear any responsibility and there's no need for me to make further findings here. I'll only say that, like our investigator, there were some suspect elements to the scam that ought fairly and reasonably to have led Miss S to question what she was being told. I say that whilst having in mind there were some sophisticated elements to the scam, such as the spoofing of text messages to make it appear as though they were coming from Monzo and R.

Regarding the loan, I don't find it would be fair and reasonable to tell Monzo to write this off. I recognised it was applied for as a result of the scam. But, at the time it was taken out, Monzo didn't know that was happening and the application went through the correct process. There aren't grounds for me to say the loan terms and conditions shouldn't continue to apply, including the charging of interest.

It's also the case that not all of the money from the loan was lost to the scam. And some is now being refunded. Which means that money can be used to reduce the loan balance.

Miss S is also to receive a payment of interest on the sums refunded. This is to account for not having access to the money until the conclusion of this complaint, and it takes account of the interest she has been charged on the loan, in respect of the amount she's to be reimbursed.

### **Putting things right**

I've taken account of the apportionment of loss between the three parties involved here. And in doing so I find it would be fair and reasonable for Monzo to compensate Miss S by:

- Paying her £4,335, representing the preventable scam losses it can be held responsible for; *and*
- Paying interest on that amount at 8% simple per year, calculated from the date of loss to the date of settlement.

### **My final decision**

I uphold this complaint against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 1 January 2025.

Ben Murray  
**Ombudsman**