DRN-5254305

The complaint

Mrs A has complained that her bank, Monzo Bank Ltd (Monzo'), refused to refund money she lost when she fell victim to a scam.

Mrs A's complaint was brought to us through a representative but for ease I will refer to their comments as Mrs A's.

What happened

In April 2024 Mrs A met someone through a dating site who she started exchanging messages with, initially through the site and later through a messaging app. Unfortunately, this person turned out to be a scammer and after a few weeks of meeting Mrs A, he persuaded her to start investing in cryptocurrency by saying that he'd been investing himself and had made significant profits.

The scammer helped Mrs A set up an account with a well-known cryptocurrency exchange (C) in her name. Mrs A initially transferred some money from a bank account she has with another bank (S) into her account with C but as there was a limit on payments she was able to make to cryptocurrency from that account, the scammer advised her to open an account with Monzo. Mrs A opened her Monzo account on 21 May 2024 and on the same day she transferred £20,000 from her account with S into her new account with Monzo.

On the day the account was opened, Monzo put a block on it and contacted Mrs A in relation to payments she was trying to make to purchase cryptocurrency. It warned her that she might be the victim of a scam but within a few days the account was unblocked. Mrs A then proceeded to make the following faster payments to her account with C:

Number	Date	Time	Amount
1	29/05/2024	10:33 pm	£3,000
2	31/05/2024	05:27 pm	£1,500
3	31/05/2024	09:55 pm	£3,000
4	31/05/2024	10:57 pm	£1,000
5	02/06/2024	10:54 pm	£3,000
6	02/06/2024	10:54 pm	£3,000
7	02/06/2024	10:55 pm	£3,000
8	02/06/2024	10:55 pm	£1,000
9	03/06/2024	09:17 pm	£10,000
10	04/06/2024	09:27 pm	£5,000
11	08/06/2024	03:50 pm	£1,500
12	21/06/2024	09:24 pm	£2,000
13	01/07/2024	04:41 pm	£2,000

Total			£39,000

Mrs A was then told by the scammer to transfer the funds in her wallet with C onto a wallet controlled by the scammer. Her funds then appeared on an investment platform which unfortunately turned out to be a fake platform run by the scammer. On the fake platform Mrs A appeared to be making large profits -over £100,000 - but when she tried to make a withdrawal she was told she had to pay £30,000 in tax. When she told the scammer that she didn't have the funds to pay this he persuaded her to apply for short term loans. Mrs A said that when she made the final payment, she expected to be able to access her funds, but she was then informed that she had to pay a further £20,000 in fees. At that point she realised she was being scammed.

On 3 July 2024, Mrs A complained to Monzo, through her representatives, and said it hadn't done enough to protect her from this scam. She said she wasn't asked any questions when the payments were processed. She added that she had lost her husband suddenly 18 months before the scam, she was a single parent with three children and was in a very vulnerable state at the time; something Monzo should have taken into account. She said she wanted Monzo to refund all the funds she lost plus interest and £300 compensation for the distress and inconvenience she suffered.

Monzo reviewed the complaint, but it didn't uphold it. It said it contacted Mrs A on several occasions and had stopped transactions as it was concerned that Mrs A was the victim of a scam. But despite this, Mrs A still went ahead with the payments.

Unhappy with Monzo's response, Mrs A brought her complaint to our service. She said it failed to protect her and issue effective warnings, and this resulted in her losing her life's savings. She wanted a full refund plus interest and £250 compensation.

One of our investigators reviewed the complaint but didn't think it should be upheld. Though our investigator thought Monzo should have intervened before various transactions were made, ultimately she thought Mrs A would have still proceeded with the payments. This was because she thought Mrs A was still under the scammer's spell. Also when Monzo spoke to Mrs A when she opened the account, it warned her not to mix online dating with investing but this warning did not resonate with her.

Mrs A didn't agree and asked for an ombudsman's decision. She said Monzo was aware of her specific vulnerabilities and her impaired ability to make rational decisions due to her mental health and emotional state and should have done more to protect her.

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'd like to say straight away that I was very sorry to hear that Mrs A fell victim to such a cruel scam. I have a great deal of sympathy for her and realise that being the victim of a scam will have had a significant impact on her, not just financially, but because of the way the scammer took advantage of her and gained her trust. I'd also like to thank her for sharing with us personal messages she exchanged with the scammer; I appreciate that this must have been very difficult.

In deciding what's fair and reasonable, I am required to take into account relevant law and regulations, guidance and standards, codes of practice, regulators' rules and where appropriate, I must also take into account what I consider to have been good industry practice at the time.

The starting position in law is that a bank such as Monzo is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations 2017 and the terms and conditions of the customer's account. And, as the Supreme Court has reiterated in Philipp v Barclays Bank UK PLC, banks generally have a contractual duty to make payments in compliance with the customer's instructions.

In that case, the Supreme Court considered the nature and extent of the contractual duties owed by banks when making payments. Among other things, it said, in summary:

- The starting position is that it is an implied term of any current account contract that, where a customer has authorised and instructed a bank to make a payment the bank must carry out the instruction promptly. It is not for the bank to concern itself with the wisdom or risk of its customer's payment decisions.
- The express terms of the current account contract may modify or alter that position. For example, in Philipp, the contract permitted Barclays not to follow its consumer's instructions where it reasonably believed the payment instruction was the result of APP fraud; but the court said having the right to decline to carry out an instruction was not the same as being under a duty to do so.

In this case, Monzo's April 2024 terms and conditions gave it the right (but not the obligation) to refuse to make a payment or reject an incoming one if, among other things, it suspected that the customer was the victim of fraud or it suspected criminal activity on the account.

So, the starting position at law was that:

- Monzo was under an implied duty at law to make payments promptly.
- It had a contractual right not to make payments where it suspected its customer was the victim of fraud.
- It could therefore refuse payments or make enquiries where it suspected there was fraud involved but it was not under a contractual duty to do either of those things.

And, whilst Monzo was not required or obliged under the contract to make checks, I am satisfied that, taking into account longstanding regulatory expectations and requirements and what I consider to have been good practice at the time, it should fairly and reasonably have been on the look-out for the possibility of fraud and have taken additional steps, or made additional checks, before processing payments in some circumstances- as in practice all banks, including Monzo, do.

It isn't in dispute that Mrs A was the victim of a scam. So, I have considered whether Monzo should have recognised that Mrs A was at risk of financial harm from fraud and whether it should have intervened.

It also isn't in dispute that all the payments were authorised by Mrs A even though I appreciate it wasn't her intention that they ended up with the scammer and that she genuinely believed they were being invested for her and her children's benefit. Nevertheless, in the first instance, Mrs A is unfortunately presumed liable for them. But that's not the end of the story.

In summary, I consider it fair and reasonable that in May and June 2024 Monzo should:

- have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams;
- have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which firms are generally more familiar with than the average customer;
- have acted to avoid causing foreseeable harm to customers, for example by maintaining adequate systems to detect and prevent scams and by ensuring all aspects of its products, including the contractual terms, enabled it to do so;
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment;
- have been mindful of – among other things – common scam scenarios, how the fraudulent practices are evolving (including, for example, the use of multi-stage fraud by scammers, including the use of payments to cryptocurrency accounts as a step to defraud consumers) and the different risks these can present to consumers, when deciding whether to intervene.

<u>Should Monzo have fairly and reasonably made further enquiries before it processed Mrs A's payments?</u>

As I said above, Mrs A opened her account just before she made the relevant transactions and therefore, Monzo had no prior history of transactions to compare those to in order to determine what amounted to normal activity on the account.

Monzo made interventions as soon as the account was opened and those included blocking payments and placing restrictions on the account. But after it lifted the restrictions, it made no further interventions and Mrs A proceeded to make payments, unbeknownst to her, to the scammer between 29 May and 1 July 2024.

The initial restrictions on the account and Monzo's investigation

On the day she opened the account, Mrs A transferred £20,000 from her account with S into her Monzo account, which she then tried to transfer out to the cryptocurrency exchange. Monzo was clearly concerned about this transaction and placed restrictions on the account. It also called Mrs A to get some more information. I think this was fair and reasonable especially bearing in mind that the account was newly opened and the payment was intended for the purchase of cryptocurrency which, as Monzo will have been aware at the time, carried an elevated risk of fraud.

Monzo contacted Mrs A both through its online chat function and over the telephone. It informed Mrs A that it was concerned because money had come into the account and was being quickly transferred out and thought this might be part of a scam. It went through the risks of cryptocurrency investments as well as scam scenarios including those linked to online dating. It also shared articles relating to cryptocurrency scams with Mrs A online which she confirmed she had read. It also warned her that scammers will ask her to lie to her bank and advised her to cut contact with anyone who might be advising her to make the investment.

Monzo spoke to Mrs A on 21 May 2024 and asked her what the transaction was for. Mrs A said she lost her husband 18 months prior and was trying to transfer £10,000 to "save for the future". She said she had invested in cryptocurrency before and that she had done so with her husband and had made a profit which they were able to use to buy a house. So, she wanted to do the same for their children. She said that she had understood what she was investing in and had done her own research. When asked whether she had been contacted by someone regarding this investment such as a broker, she said she hadn't. She also said she hadn't been advised to lie to her bank about the investment. Monzo told Mrs A that only scammers demand payments in cryptocurrency and guarantee big returns and making money quickly. It also warned her not to mix online dating with investment advice and that if she met someone on a dating site and they asked her to invest in cryptocurrency this was highly likely a scam. Mrs A said she hadn't come across this type of scenario.

Monzo called Mrs A again on 24 May 2024 to get further information regarding her past cryptocurrency investments. Mrs A said a friend of her late husband's was assisting her and that she had been investing in cryptocurrency for three to four years. Mrs A was also able to show that she had recently made returns of around £300 which she reinvested. She also said that her investment had not been transferred onto another wallet.

As I said above, I thought those interventions were reasonable and I think they sufficiently highlighted the risks involved. Given the situation Mrs A was in – the warnings reasonably ought to have resonated with her – as a number of points were directly relevant to the situation she found herself in. Especially as there were a number of calls and messages over several days.

Having considered her messages with the scammer it is clear that during this time Mrs A was being coached by the scammer who was advising her to lie to Monzo about her experience with cryptocurrency investments as well as his involvement as a third party.

No further interventions

Monzo later lifted the restrictions and Mrs A was able to proceed with the payments as above. Monzo said that it didn't issue any further warnings other than asking for confirmation of payee. It said that the cryptocurrency exchange Mrs A had used was known to be a legitimate exchange and so it did not consider the payments to be a risk.

I appreciate that Monzo felt it didn't need to make further interventions, but I don't agree. The activity that ensued was concerning. I think Monzo could have done more – for example it could have provided a better automated warning, consisting of a series of questions around cryptocurrency investments and common scam scenarios in order to try to narrow the risks down and identify the type of scam Mrs A was potentially involved in or later in the series of payments – called her as it had before payment one.

Despite the fact that I think Monzo should have intervened again given the concerning activity that ensued and failed to do so, I don't think it is responsible for Mrs A's loss. This is because, on balance, I don't think Mrs A would have heeded any warnings and I think she would have, at that stage, most likely continued to withhold information from Monzo as she had done before it processed the first payment. As I said above, from her messages with the scammer I can see that she had been coached by him prior to and during her conversations with Monzo and was following his advice as to what to say to it so it would lift the restrictions and allow the payments to go through. It is also clear she was made to believe that the bank was actively trying to prevent her from investing in cryptocurrency for its own interests. I think in all likelihood the coaching and the withholding of information would have carried on had Monzo made further interventions.

Mrs A provided messages between her and the scammer up to 11 June 2024 and it seems she was still under the scammer's spell even at that stage as he had persuaded her to apply for loans in order to pay the alleged tax fees. And she also told us that it wasn't until she was asked for a further £20,000 that she realised she was being scammed. Bearing in mind that Monzo gave Mrs A warnings that reasonably ought to have resonated with the situation she found herself in; but she disregarded those warnings from her bank in favour of what she was being told by a third party that she'd never met in person; I think it is more likely than not that she would have continued to do so with any further intervention.

Vulnerability

Mrs A said she was vulnerable, and this was something Monzo should have taken into account. It is clear that Mrs A has been through a lot. I was really sorry to hear about the sudden loss of her husband and the fact that she now has to care for their three children on her own and the impact this has had on her mental health. And I have no doubt that the scam has impacted her further.

Monzo said it wasn't aware of any vulnerabilities, but I see that Mrs A mentioned from the first call that she was a widow and had lost her husband 18 months before and I think this could have potentially put her in a vulnerable category. But though Mrs A mentioned that she had lost her husband she didn't ask for additional help or mention that she was struggling with her mental health or otherwise. And having listened to her calls with Monzo, I don't think this is something Monzo would have been able to detect from speaking to Mrs A. If she had mentioned that she was vulnerable, I would have expected Monzo to have noted this and made adjustments as and when needed. But even if that had been the case, I am not persuaded that Monzo would have been able to do anything different to prevent her loss. I think the freezing of the initial transactions and the warnings both during the calls and the chat messages should have been sufficient to highlight the risk she was falling victim to a scam.

Potential for recovery

I've gone on to consider whether Monzo should have done more to recover Mrs A's funds but I don't think that would have been possible. I say this because Mrs A had already transferred money out of her cryptocurrency wallet into an external wallet. And I also don't think a chargeback would have been successful bearing in mind that the cryptocurrency exchange had provided a genuine service in providing cryptocurrency in return for Mrs A's money.

For completeness I will also say that I don't think this is a complaint covered under the Contingent Reimbursement Model Code as Mrs A has alleged. And this is because the payments were made to an account in Mrs A's own name and which she had control of.

I understand Mrs A will be disappointed with my decision as I know that she wanted to make a full recovery of her loss. But, in the circumstances I don't think there is anything more Monzo needs to do.

My final decision

For the reasons above, I have decided not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 19 September 2025.

Anastasia Serdari
Ombudsman