**Financial
Ombudsman
Service**

The complaint

Mr K complains that Monzo Bank Ltd ('Monzo') won't reimburse the funds he lost when he fell victim to a scam.

What happened

Mr K says that following a phishing email he received a call from someone purporting to be from Monzo's fraud department on 27 June 2024. The call initially came from a spoofed number, although Mr K was called back on a no caller ID number when the line was bad. Mr K says that the caller knew information about recent transactions on his account.

Mr K was told a third party had tried to take out a large loan through his account and of potential unwanted consequences if he didn't take rapid action to secure his account through Monzo's verification process. After asking about other accounts Mr K held, he was advised to transfer funds from an external bank account to his Monzo account. Believing it was part of a security protocol, Mr K then approved a £650 card payment to a merchant. He was advised he wasn't making a payment. But soon after, Mr K found that the payment had been made.

Mr K contacted Monzo to report what had happened.

Monzo said it was unable to reimburse Mr K as he didn't take sufficient steps to check who he was paying and what for. But Monzo acknowledged that it took too long to communicate an outcome and credited Mr K's account with £100 to compensate him for the delay.

Mr K was unhappy with Monzo's response and brought a complaint to this service. He raised the following points:

- Monzo didn't adequately take into account the sophistication of the scam.

- He didn't receive any goods or services in return for the £650 transaction, which should be crucial in considering whether it was authorised.

- He was led to believe that he was participating in a security verification process and not authorising a payment.

- Monzo didn't clarify how it applied the CRM Code.

- Monzo failed to provide any warnings to alert him to the possibility of fraud.

Our investigation so far

The investigator who considered this complaint didn't recommend that it be upheld. She said that Mr K authorised the transaction and it wasn't so unusual that Monzo should have intervened when it was made. Finally, the investigator said that the compensation payment made by Monzo was fair.

Mr K didn't agree with the investigator's findings and asked for a final decision.

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

Where there is a dispute about what happened, and the evidence is incomplete or contradictory, I've reached my decision on the balance of probabilities – in other words, on what I consider is most likely to have happened in light of the available evidence.

The relevant law here is the Payment Services Regulations 2017 – these set out what is needed for a payment to be authorised and who has liability for disputed payments in different situations. With some exceptions, the starting point is that the consumer is responsible for authorised payments, and the business (in this case Monzo) is responsible for unauthorised payments.

It isn't in dispute that the scammer had obtained Mr K's card details and made the payment online and that Mr K approved the payment in his app under the belief that he was completing a verification process.

The payment was correctly authenticated using Mr K's card information and stronger authentication was completed in Mr K's app.

I've taken into account the common law principle of apparent authority which protects the expectations of a third party who has reasonably relied on a representation by the principal that an agent has authority to act on their behalf.

For a payment to be authorised, it must be consented to by Mr K or someone acting on his behalf. This consent must be given in the form and in accordance with the procedure agreed between Mrs K and Monzo. In practice this is set out in the applicable terms and conditions which say that a payment can be consented to in the Monzo app.

It appears it was the scammer who gave the payment instruction using Mr K's card details, and as Mr K didn't agree to this, the payment has not been made with his actual authority. I've gone on to consider whether the payment was authorised on the basis that Mr K confirmed the payment in his banking app. As part of this I've reviewed what Monzo has shown this service the screens presented to Mr K would have looked like.

Mr K was presented with a screen to authorise the payment. The screen said, 'Review Payment' and showed the name of the merchant and the amount of the transaction. Mr K was then required to click 'Decline' or 'Accept'. In this case Mr K chose 'Accept'.

I think that by doing this, Mr K made a representation to Monzo that the payment instruction was made by someone acting on his behalf. And the clarity of the page about what Mr K was confirming meant that it was reasonable for Monzo to rely on this representation and process the payment. So, for these reasons I think Mr K gave apparent authority to the scammer to make the payment and that Monzo can fairly treat the payment as authorised.

Mr K has referred to the Contingent Reimbursement Model Code, but this code doesn't apply to payments made by card. So I can't consider its provisions here.

There are some situations where this service believes that businesses, taking into account relevant rules, codes and best practice standards, shouldn't have taken their 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 interest of its customers and to follow good industry practice to keep customer's 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 Mr K.

Whilst I appreciate that £650 is a lot of money to lose, I can't fairly conclude that the payment was so unusual and out of character that Monzo ought reasonably to have identified a heightened risk it was related to a scam and taken additional steps before processing it. The value of the transaction was relatively low, Mr K's balance was broadly unaffected (as he credited his Monzo account with £660 first) and it was a one-off payment. There's a balance to be struck between identifying payments that could potentially be fraudulent – and then responding appropriately to any concerns – and ensuring minimal disruption to legitimate payments. Whilst banks have an obligation to act in their customers' best interests, they can't reasonably be involved in every transaction. To do so would involve significant disruption to legitimate payments.

I also agree with the investigator that a chargeback wouldn't have had a reasonable prospect of success as Mr K's funds went to a legitimate merchant that provided a service.

I turn now to the service Monzo provided. Mr K reported the scam on 28 June 2024 and wasn't given an answer until mid-August. Monzo asked some questions in its chat between these dates to understand what happened and its wellbeing team also reached out to Mr K. I agree that Monzo could have provided more meaningful updates and responded sooner, but think that the compensation already paid is fair.

Overall, whilst I am sorry to hear about this cruel scam, I can't fairly ask Monzo to reimburse Mr K.

My final decision

For the reasons stated, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 26 August 2025.

Jay Hadfield
Ombudsman