

The complaint

Mr O complains that Monzo Bank Ltd won't refund money he lost when he was a victim of a crypto investment scam.

What happened

The background to this complaint is well known to both parties and so I'll only refer to some key events here.

In 2023 Mr O came across an investment firm – which I'll refer to as '4' - on the internet and enquired about their services. He was then contacted by 4 who discussed investment opportunities that would provide a "*good profit*". Under the belief 4 was a legitimate firm, Mr O set up a trading account with them.

I understand that Mr O made an initial debit card payment of £249 to 'ProfX Academy' from his Monzo account as part of the scam. This was then followed by further payments – which were sent to 4's trading platform via a legitimate crypto provider and through another account Mr O holds with an Electronic Money Institution (EMI) (which I'll refer to as 'R'). The relevant payments, as I understand, are:

Transaction Date	Transaction type	Payee	Amount
30 May 2023	Debit card	ProfX Academy	£249
12 July 2023	Faster payment	Mr O (R)	£1,000
24 July 2023	Faster payment	Mr O (R)	£5,000
26 July 2023	Debit card	Crypto Provider	£2,000
26 July 2023	Debit card	Crypto Provider	£2,000
29 July 2023	Faster payment	Mr O (R)	£1,000
29 July 2023	Faster payment	Mr O (R)	£1,000
	Total	Total	£12,249

Mr O first suspected he'd been scammed when 4 was encouraging him to invest further, which he didn't. And his suspicions were confirmed when his investment manager sent him a message saying he had an emergency meeting in another country and that a colleague would contact him about managing his investment. But this call wasn't received.

Mr O complained to Monzo in March 2024. He didn't think Monzo did enough to protect him from the scam and so, he wanted to be fully refunded for his loss.

Monzo didn't provide a final response to the complaint. But since the complaint has been referred to the Financial Ombudsman, Monzo has said the above transactions weren't the scam payments – as they were made to an account(s) held in Mr O's own name. And they had no control over the onward transfer of such funds, so they cannot be held liable for them.

Our Investigator didn't however think Monzo had to do anything further. He said the payments wouldn't have been particularly unusual or suspicious to Monzo based on Mr O's normal account activity – noting he had made payments of a similar or greater value previously, as well as multiple large payments on the same day. Nor did he think there was a payment pattern that would've alerted Monzo to them being made in relation to a fraud or scam.

Our Investigator also didn't think that even if Monzo had intervened before processing the payments this would've made a difference. This was because Mr O was being heavily coached by the scammer and sought their advice when R restricted his account due to fraud concerns. So, he thought Mr O would've likely made the payments regardless. And he didn't think Monzo could've done anything to recover the funds – as chargeback claims for the debit card transactions would've been unsuccessful, and the funds Mr O transferred had already been forwarded on as part of the scam.

Mr O disagreed. And, in short, he said:

- There's a noticeable neglect of duty of care owed to him as a victim of crime. And financial institutions bear a responsibility to protect customers from such crimes. Here, the response often seems to shift blame on to the victim.
- There was a bias against him in the investigatory process and a deficiency in understanding good industry practices and compassion for him as a customer.
- Although this transaction history may seem consistent with past usage, it's important to scrutinise certain payments that raise red flags. Notably, some of these payments were to a crypto provider – which can indicate potential scams or high-risk transactions, with the Financial Conduct Authority (FCA) issuing warnings on crypto.
- The FCA advises that unusual patterns in transaction frequency and amounts should be closely monitored to prevent potential financial crime. His payments may not be as ordinary as they appear and warranted further investigation.
- R intervened by freezing his account in response to suspected fraudulent activity. And so, why didn't Monzo take similar proactive measures?
- His chat conversation with 4 shows he was being heavily influenced by them, yet R's intervention allowed them to assess the situation and act accordingly. It therefore stands to reason that Monzo should've also been capable of freezing his account to mitigate the risk and protect him.
- Not doing so suggests a gap in their fraud protection protocols. And ultimately, if Monzo had intervened, it's possible the outcome would've mirrored that of R – with him likely not proceeding with the transaction(s).
- A review of the bank's monitoring processes and whether adequate measures were implemented to identify and address potential risks is required.
- He is willing to engage in shared responsibility and take a partial reimbursement.

Our Investigator considered what Mr O said but his position didn't change. He remained of the view that the payments weren't unusual or suspicious enough in appearance to Monzo whereby he would've expected them to have been concerned. And he reiterated that even if Monzo had carried out additional checks, this likely wouldn't have made a difference – as the chat conversation with 4 shows Mr O sent a message to the scammer asking for approval of a drafted response intended for R before sending it.

Mr O remained in disagreement with our Investigator and asked for the matter to be reviewed by an Ombudsman. He said the complaint is regarding Monzo and what they failed to do in terms of preventing the scam. And so, involving other institutions in this matter isn't productive as much more can be deduced only with the facts that Monzo didn't do their due diligence, nor did they prevent the scam from happening.

The matter 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.

I'm sorry Mr O has been the victim of a scam, and I don't underestimate the impact this has had. Nor am I trying to shift any 'blame' on to him. I therefore want to reassure Mr O that I've given this matter very careful consideration. But while I accept Mr O has lost a significant amount of money due to being deceived by 4, I must consider whether Monzo is responsible for the loss he has suffered. I know this won't be the outcome Mr O is hoping for, but for similar reasons as our Investigator, I don't think they are. So, I don't think Monzo has acted unfairly by not refunding the payments. I'll explain why.

Before I do, I'd like to say at the outset that if there is a submission I've not addressed; it isn't because I've ignored the point. It's simply because my findings focus on what I consider to be the central issue in this complaint – that being whether Monzo is responsible for Mr O's loss.

In broad terms, the starting position in law is that a bank is expected to process payments that their customer authorises them to make. It isn't disputed that Mr O knowingly made the payments from his Monzo account – albeit under the direction and guidance of the scammer as he believed 4 to be a legitimate firm. And so, I'm satisfied he authorised them. Therefore, under the Payment Services Regulations 2017 and the terms of his account, Monzo are expected to process Mr O's payments and he is presumed liable for the loss in the first instance.

However, taking into account the regulatory rules and guidance, relevant codes of practice and good industry practice, there are circumstances where it might be appropriate for Monzo to take additional steps or make additional checks before processing a payment to help protect customers from the possibility of financial harm from fraud.

So, the starting point here is whether the instructions given by Mr O to Monzo (either individually or collectively) were unusual enough to have expected additional checks to be carried out before the payments were processed.

When considering this, I've kept in mind that banks process high volumes of transactions each day. And that there is a balance for Monzo to find between allowing customers to be able to use their account and questioning transactions to confirm they're legitimate – as it wouldn't be practical for banks to carry out additional checks before processing every payment.

The payments being disputed here were mostly of a relatively low value – with the exception being the £5,000 transaction on 24 July 2023. This transaction however was being made to Mr O's own account with R, and not paid directly to a crypto provider (which carries a known fraud risk that I'll go on to address). So, although Monzo should be mindful of multi-stage fraud, I think Monzo would've likely been reassured by the fact that many of the payments – including the £5,000 transaction – were being made to an account held in Mr O's own name.

The value of the payments also wouldn't have been seen as out of character for Mr O given he had made similar value payments in the last few months – such as £5,500 on 29 March 2023 and £6,564 on 29 May 2023. Because of this, I don't think the payments, based on their value alone, were so unusual or suspicious whereby I would've expected Monzo to have been concerned Mr O was at a significant risk of financial harm. Particularly as it's common for customers to make occasional transactions of a higher value and, as I've said, there is a balance for Monzo to find between questioning transactions and allowing customers to use their account without unreasonable friction.

Mr I has highlighted that, as part of the scam, he was convinced by 4 to set up an account with a legitimate crypto provider – with him sending two payments to it from his Monzo account on 26 July 2023. And he's right that crypto carries a known fraud risk that Monzo ought to have considered as part of their requirement to monitor unusual patterns of account activity to prevent potential financial crime. But while the crypto provider in question here, like many others, are sometimes used for this purpose, it's also used by many individuals to invest in crypto legitimately. Because of this, I wouldn't necessarily have expected Monzo to have carried out additional checks before processing the payments simply because they were going to a crypto merchant. But rather, I would expect them to take steps to protect customers that are proportionate to the identifiable risk.

As I've said, the value of these transactions wasn't inherently high based on Mr O's typical account usage. Furthermore, the payments were spread over a period of a month (and not all made in rapid succession), and they didn't fully deplete Mr O's account balance or take him overdrawn (which can be indicators of potential fraud).

It follows that, while there are circumstances where it might be appropriate for Monzo to take additional steps or make additional checks before processing a payment, for the above reasons, I think it was reasonable for Monzo to assume the payments here were being made for legitimate crypto purposes. And so, I think it was reasonable for Monzo to process the payments upon receiving Mr O's instruction(s).

For completeness however, I've also considered whether Monzo could've reasonably prevented Mr O's loss had they carried out additional checks before processing the payments. At which point, I should explain that a proportionate intervention will not always result in the prevention of a payment. And so, if I find it more likely than not that such a proportionate intervention by Monzo wouldn't have revealed the payment was part of a fraud or scam, then I couldn't fairly hold Monzo liable for not having prevented it from being made.

I understand Mr O doesn't think his interactions with R should be considered as part of this complaint, I disagree. I think it gives me an indication as to what would've most likely happened had Monzo carried out additional checks before processing the payment. And here, I agree with our Investigator that it's unlikely that any questioning by Monzo to establish the underlying circumstances of the payments would've uncovered the scam and prevented Mr O's loss.

I won't set out the specifics of the chat Mr O had with 4 here, as he is already familiar with it. But having looked at it, it's very clear that he was being heavily influenced by 4 – which Mr O

seemingly accepts. And the level of coaching included Mr O sending questions R put to him, as part of their fraud prevention checks, to 4 for guidance on how to respond. And so, while R did have concerns and put restrictions on Mr O's account, I think it's most likely that he would've sought further guidance from 4 if Monzo had similarly questioned him. And given he was clearly determined to make the payments to 4, demonstrated by his acceptance of being warned it could be a scam by R and confirming he would take full responsibility for his loss in that eventuality, I believe it is most likely that he would've tried to withhold the true purpose of the payments he was making from his Monzo account too. I therefore think he would've reassured Monzo that he was making the payments for legitimate purposes. But even if Monzo did have concerns, as R did, then I see no reason to think Mr O wouldn't have likewise found another payment service provider to send the funds through. Ultimately, I don't think Monzo could've reasonably prevented Mr O from making the payments to the scam through a proportionate intervention.

I've also considered whether, on being alerted to the scam, Monzo could reasonably have done anything to recover Mr O's losses, but I don't think they could. The funds sent to Mr O's account with R were, as I understand, used by him as part of the scam – but even if they weren't, they would've been accessible to him in any event. And the only possible option for recovery here for the debit card payments would have been for Monzo to have attempted a chargeback against the payees – that being the crypto provider and ProfX Academy. But these likely wouldn't have had any reasonable prospects for success. This is because, for the payments to crypto provider, the service Mr O requested was provided – that being the exchange of funds into crypto. And in respect of the payment to ProfX academy, it's unclear what service Mr O paid for – although these are commonly made as part of investment training package. Unfortunately, however, Mr O has said he never received any paperwork as part of the scam. And so, in the absence of this, I think any chargeback attempt would've likely been defended successfully by the merchant.

On a final note, I'm aware that Mr O believes that Monzo's fraud prevention processes and systems need to be reviewed. While I understand his concerns in that respect, it's not the role of the Financial Ombudsman to tell firms how to operate – the FCA set those rules and expectations. Instead, the role of the Financial Ombudsman is to put things right when a financial firm has caused detriment to a consumer (through, for example, a mistake or error). Here though, for the reasons I've explained, I don't think Monzo is responsible for the loss Mr O suffered.

It follows that, while I have a great deal of sympathy for Mr O as I appreciate he is the innocent victim of a scam, I cannot fairly direct Monzo to refund him.

For the above reasons, I think Monzo has acted fairly and so I'm not going to tell them to do anything further.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 30 May 2025.

Daniel O'Dell
Ombudsman