DRN-5304423

The complaint

Mr L complains that Monzo Bank Ltd didn't do enough to protect him from the financial harm caused by a safe account scam, or to help him recover the money once he'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.

On 5 July 2024 Mr L received a call from a withheld number from someone I'll refer to as "the scammer" who claimed to be calling from Monzo's fraud team. The scammer told him that there'd been some fraudulent activity on his account, and that he should freeze his card and remove the funds from the account. Four debit card payments were made from the account totalling £4,465.03 before Mr L realised he'd been scammed.

He complained to Monzo, but it refused to refund any of the money, so he complained to this service. Responding to the complaint, Monzo said the payments were authorised via 3DS, and it was unable to review the payments under the Contingent Reimbursement Model ("CRM") Code as the Code doesn't apply to card payments. And it was unable to raise a chargeback request through Mastercard as the merchant didn't make any errors.

Our investigator thought the complaint should be upheld. He was satisfied Mr L had authorised the payments, but he thought Monzo ought to have been concerned when he made the fourth payment because even though the account had a history of payments of similar amounts, he hadn't previously made any payments to investment companies, and he'd made four transactions within eleven minutes of each other for £4,465.03, which was unusual.

He thought that if Monzo had asked Mr L why he was making the payments, he'd have explained that someone from Monzo was assisting him to send his money to a safe place and the scam would have been detected. He commented that there was little the scammer could have done to coach him as he thought they were calling Monzo.

He further explained that he didn't think Mr L had contributed to his own loss because he would have had almost no time to do due diligence, and he thought he was speaking to someone from Monzo. So, he recommended that Monzo should refund the final payment. Finally, he was satisfied that Monzo's decision not to raise a chargeback was fair because Mr L would have received a service from the merchants.

Mr L has asked for the complaint to be reviewed by an Ombudsman. His representative has argued that he didn't approve the transactions because he didn't think he was being scammed. And that all the payments were unusual, so Monzo should refund his loss in full.

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've reached the same conclusion as our investigator. And for largely the same reasons.

Mr L's representative has argued that he didn't authorise the payments because he didn't know he was being scammed. But I'm satisfied that even though Mr L believed he was acting to protect his funds, and he didn't disclose any of his security details to the scammer, the transactions were authorised via 3DS. Therefore, I'm satisfied he 'authorised' the payments for the purposes of the of the Payment Services Regulations 2017 ('the Regulations'), in force at the time. So, although he didn't intend the money to go to scammers, under the Regulations, and under the terms and conditions of his bank account, Mr L is presumed liable for the loss in the first instance.

There's no dispute that this was a scam, but although Mr L didn't intend his money to go to scammers, he did authorise the disputed payments. Monzo 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've thought about whether Monzo could have done more to prevent the scam from occurring altogether. Monzo ought to fairly and reasonably be alert to fraud and scams and these payments were part of a wider scam, so I need to consider whether it ought to have intervened to warn Mr L when he 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 Mr L from financial harm due to fraud.

The payments didn't flag as suspicious on Monzo's systems. I've considered the nature of the payments in the context of whether they were unusual or uncharacteristic of how Mr L normally ran his account, and I think they were. The first payment was £1,025 to an EMI, and so Monzo didn't need to intervene. Likewise, the second and third payments were £1,500 and £1305.62 to an investment company and so, even though he hadn't paid this type of merchant before, I don't think the value of the individual payments, or the cumulative total of the two payments, was high enough to warrant an intervention.

However, the fourth payment was £634.41 to the same investment company, and brought the cumulative total for the day to £4,465.03. Crucially, he'd made four payments within eleven minutes, the final three of which were to the same investment company. So, I think Monzo should have intervened.

It should have contacted Mr L and questioned him about the payment and had it done so, as there's no evidence that he'd been coached to lie and it wouldn't have made sense for someone from Monzo's fraud department to ask him to lie to Monzo, I think he'd have explained that he was sending funds to a safe account, and the scam would have been exposed. So, I think Monzo should refund the money Mr L lost from the third payment onwards.

Contributory negligence

I accept there's a general principle that consumers must take responsibility for their decisions and conduct suitable due diligence but, in the circumstances, I don't think Mr L was to blame for the fact he didn't foresee the risk. This is because he was forced to act quickly in circumstances where he genuinely believed that he was speaking to Monzo, and that he was at risk of losing the funds in the account. I don’t think there was anything he could reasonably have done to verify what he was being asked to do in such a short space of time and so I don’t think the settlement should be reduced for contributory negligence.

Recovery

I’ve thought about whether Monzo could have done more to recover Mr L’s payments when he reported the scam to it. Chargeback is a voluntary scheme run by Visa whereby it will ultimately arbitrate on a dispute between the merchant and customer if it cannot be resolved between them after two ‘presentments’. Such arbitration is subject to the rules of the scheme — so there are limited grounds on which a chargeback can succeed. Our role in such cases is not to second-guess Visa’s arbitration decision or scheme rules, but to determine whether the regulated card issuer (i.e. Monzo) acted fairly and reasonably when presenting (or choosing not to present) a chargeback on behalf of its cardholder (Mr L).

It's only possible to make a chargeback claim to the merchant that received the disputed payments. It’s most likely that the merchants would have been able to evidence they’d done what was asked of them, so any chargeback was destined fail. Therefore, I’m satisfied that Monzo’s decision not to raise a chargeback request was fair.

Compensation

The main cause for the upset was the scammer who persuaded Mr L to part with his funds. I haven’t found any errors or delays to Monzo’s investigation, so I don’t think he is entitled to any compensation.

My final decision

My final decision is that Monzo Bank Ltd should:

- refund the money Mr L lost from the fourth payment onwards.
- pay 8% simple interest* per year, from the respective dates of loss to the date of settlement.

*If Monzo Bank Ltd deducts tax in relation to the interest element of this award it should provide Mr L with the appropriate tax deduction certificate.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr L to accept or reject my decision before 15 September 2025.

Carolyn Bonnell
Ombudsman