

## **The complaint**

Ms F complains that Monzo Bank Ltd didn't do enough to protect her from the financial harm caused by a scam, or to help her recover the money once she'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 10 July 2023, Ms F received a call from someone I'll refer to as "the scammer" who claimed to work for Monzo and who told her there was suspicious activity on her Monzo account. Ms F accessed her account via the app and saw a payment she didn't recognise with an alert asking if she authorised the payment, which she declined.

The scammer told Ms F they could see that someone was about to take a loan out in her name at which point she saw a message regarding a loan application. The scammer told her the loan had been approved and that to protect the funds she'd need to move it to a different account. He also said she'd need to send a video of herself to confirm her ID and to click on the application to change the parameters of the loan.

When the loan money appeared in the account, the scammer told Ms F to open an account with an Electronic Money Institution ("EMI") which I'll refer to as "R", and then transfer the funds into the new account to stop fraudsters from accessing the funds.

She subsequently made fourteen separate payments from her Monzo account to R totalling £9,990. From there, the funds were transferred to two other accounts in the scammer's control. She realised she'd been scammed when her boyfriend suggested she might have been the victim of a scam, and the account was restricted with half of the loan funds remaining.

Ms F complained to Monzo, but it refused to refund any of the money she'd lost. She wasn't satisfied and so she complained to this service with the assistance of a representative who said Monzo should write off the balance on the loan and freeze the interest on the account. They said Monzo ought to have known from the transaction history that Ms F wasn't acting of her own free will and that it should have stopped the payments because they were out of character for the account. They also said the scammer had accessed the account and obtained Ms F's contact details before the scam.

Responding to the complaint, Monzo said no loss had occurred from the Monzo account and the liability should sit with R as that's where the fraud had occurred. But our investigator didn't think the complaint should be upheld. He thought it was fair for Monzo to hold Ms F liable for the loan because there was no evidence that the account had been compromised, and she was satisfied the loan was applied for using Ms F's genuine device, which was already registered to the account.

She explained that Ms F had been told to open the loan application and to change the parameters of the loan, and that she submitted a selfie style video to Monzo using her own

device. She accepted she'd followed the scammers instructions believing she was acting to minimise and remove the loan, but in completing the actions herself, she'd consented to and approved the loan application. So, Monzo was entitled hold her liable for the loan.

Regarding the transfer of the loan funds out of the account, our investigator noted that Ms F was making payments to an account in her own name and because of the value of the payments, we'd expect it to have given written warnings about the scam risk.

Our investigator didn't think this would have stopped the scam because when R intervened, Ms F was shown a series of educational stories to warn her about the risk associated with the transfer purpose she selected (which wasn't the most accurate option). Those warnings specifically mentioned safe account scams, but Ms F had still gone ahead with the payments out of that account.

He further noted that Ms F had been on the phone with the scammer at the time we'd have expected Monzo to have provided a written warning and so it was likely she'd have consulted with him about the contents of the warning. So, he didn't think a written warning from Monzo would have prevented her from making the payments.

Finally, he said there was no prospect of a successful recovery because by the time Ms F reported the fraud, the money had already been forwarded to the scammer's accounts. And he didn't think Ms F was entitled to any compensation.

Ms F asked for her complaint to be reviewed by an Ombudsman. She said her account was accessed using an unauthenticated device and argued that Monzo only declined one payment even though the transactions were unusual for the account, she had no prior loans apart from a student loan and her previous account use was for day-to-day spending. She said Monzo should have stopped the payments whether or not they were authorised, and she doesn't accept that her response to warnings from R can fairly be used to determine how she'd have responded to a similar warning from Monzo.

## **My provisional findings**

### The loan

Ms F believes the scammers had already accessed her account by the time they contacted her, but I hadn't seen any evidence to confirm that this is what happened or that Monzo shouldn't have granted her the loan. Having been contacted by someone who claimed to be from Monzo, Ms F sent a video of herself reading a secure number/code to an email address provided by the scammer. She also submitted the loan application in the app using her registered device. Unfortunately, in sending the video and submitting the loan application using her registered device, I was satisfied, on balance, that Ms F authorised the loan application. Therefore, Monzo is entitled to hold her responsible for the principle loan balance.

However, I accepted she was acting under the scammer's instructions and that she believed she was acting to preserve funds from a loan that had been taken out fraudulently in her name. Since I was satisfied Ms F most likely didn't agree to this loan, I didn't think it would be fair for Monzo to hold her to the terms of a loan agreement she never consented to. So, I said it shouldn't hold Ms F liable for interest and charges, neither should there be a record of the loan on Ms F's credit file and if there currently is, this should be removed.

### The payments out of the account

I was satisfied Ms F 'authorised' the payments for the purposes of the of the Payment Services Regulations 2017 ('the Regulations'), in force at the time. So, although she didn't intend the money to go to scammers, under the Regulations, and under the terms and conditions of her bank account, she is presumed liable for the loss in the first instance. There's no dispute that this was a scam, but although Ms F didn't intend her money to go to scammers, she 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 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 needed to consider whether it ought to have done more to warn Ms F when she made the payments. If there are unusual or suspicious payments on an account, I'd expect Monzo to intervene with a view to protecting Ms F from financial harm due to fraud.

Monzo declined the second payment due to concerns it might be fraudulent. It has explained this was because there was other device activity on the account around the time the payment was attempted, which was flagged as possible takeover devices. Ms F was required submit a video to confirm it was her who had logged into a new device but the attempt to add a new device failed because Monzo concluded the video was fraudulent (this was a separate video to the one that was submitted to approve the loan). Ms F then confirmed her identity on her genuine device and no further warnings, contact or intervention took place.

I considered what happened before the second payment was processed and I thought Monzo ought to have realised there was a problem and contacted Ms F to question her further. And had it done so I thought she'd have explained that she was moving loan funds out of her account under the instruction of someone she was currently on the phone with who claimed to be calling from Monzo. With this information, Monzo would have detected the scam and told her she was the victim of a safe account scam.

Our investigator had concluded that, based on Ms F's response to a written warning from R about safe account scams, a warning from Monzo wouldn't have made any difference because she was on the phone to the scammer at the time. But, given the attempt to log in from another device and the existence of the fraudulent video, I considered Monzo ought to have contacted her by phone and provided some very robust advice which I thought would have resonated with her and stopped the scam. So, I thought Monzo should refund the money she lost from the second payment onwards.

### *Contributory negligence*

I carefully considered whether Ms F acted negligently, and I didn't think she did. The scam happened very quickly and, according to Ms F, there was a payment on her account that she didn't recognise, and I didn't think it was unreasonable that this persuaded her that the caller was genuine. I had no doubt that in following the scammer's instructions to change the parameters of the loan application and to send a video selfie, she genuinely considered that she was acting to secure the loan funds. And it's significant that she stopped transferring funds out of the account as soon as she was alerted to the scam. So, I didn't think that she contributed to her own loss.

### *Recovery*

I didn't think there was a realistic prospect of a successful recovery because Ms F paid an account in her own name and the funds were moved on from there.

### *Compensation*

The main cause of the upset was the scammer who persuaded Ms F to part with her funds. I didn't find any errors or delays to Monzo's investigation, so I didn't think she was entitled to any compensation.

### **Developments**

Monzo maintains that R should be liable for Ms F's loss given the money was transferred to the scam from an account she held on R's platform, and that loss didn't occur directly from her Monzo account.

### **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've considered Monzo's additional comments but the findings in my final decision will be the same as the findings in my provisional decision.

In reaching my decision about what is fair and reasonable, I've taken into account that Ms F sent funds to R from Monzo, and from there the funds were lost to the scam. Her representative has said that R should be liable for the loss, but I think Monzo still should have recognised that she might have been at risk of financial harm from fraud, and in those circumstances, it should have declined the payment and made further enquiries. If it had done so, I am satisfied it would have prevented the loss Ms F suffered. The fact the money used to fund the scam wasn't lost at the point it was transferred to R doesn't alter that fact, and I think Monzo can fairly be held responsible for Ms F'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.

### **My final decision**

My final decision is that Monzo Bank Ltd should:

- Monzo Bank Ltd can pursue Ms F for the principle loan balance, but it should remove all interest and charges on the loan;
- take any repayments already made to the loans by Ms F to date (if any) as having reduced the loan balance;
- remove reference to the loan from Ms F's credit file.
- refund the money Ms F has lost from the second payment onwards (which can then be used to settle the principle loan balance).

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 4 March 2025.

Carolyn Bonnell  
**Ombudsman**