

The complaint

Mr W complains that Monzo Bank Ltd ('Monzo') hasn't refunded the money he lost when he fell victim to a cryptocurrency investment scam.

What happened

Around the start of September 2023, Mr W was introduced to an investment opportunity – which I'll refer to as 'C'. The premise of the investment was for clients to deposit cryptocurrency into an online trading app. The trading app would then use artificial intelligence to calculate where to buy other cryptocurrencies at the lowest price and where to sell the cryptocurrency at the highest price to generate a profit.

Between September 2023 and November 2023, Mr W opened accounts with Monzo and an electronic money institute (which I'll refer to as 'R'). He credited those accounts from his existing current account provider (which I'll refer to as 'L'). He also opened digital wallets with cryptocurrency exchanges (which I'll refer to as 'B' and 'K').

In September 2023, Mr W sent funds from his account with L to his newly opened account with R. The funds were then transferred to his digital wallet with K. He exchanged his funds for cryptocurrency, which he then sent to C.

On 1 October 2023, Mr W sent £3,250 from his account with L to his account with Monzo. He then tried to send all those funds to K, but Monzo thought the payment was suspicious and blocked it. After Mr W spoke to Monzo on 2 October 2023 (via its in-app chat function and by a phone call), Monzo released the payment and the funds were sent to K, before they were converted into cryptocurrency and forwarded to C.

In October and November 2023, Mr W made further payments from L to R, before sending those funds on to his digital wallet with B. The funds were converted into cryptocurrency and sent to C.

Mr W subsequently discovered that C was a scam and the funds he had invested had been lost. In August 2024, with the help of a professional representative, Mr W made a complaint to Monzo about the £3,250 payment he'd sent to K on 2 October 2023.

Monzo didn't uphold Mr W's complaint. It didn't think it had done anything wrong by processing Mr W's payment to K, so it didn't think it was responsible for refunding Mr W's loss.

Unhappy with Monzo's response, Mr W referred his complaint to this service. Our Investigator considered the complaint, but didn't uphold it. They thought Monzo's intervention was proportionate to the risk the payment demonstrated at the time it was made.

Mr W didn't agree. He said Monzo's intervention was inadequate in the circumstances, and it ought to have provided better warnings about cryptocurrency investment scams *before* processing the payment.

Our Investigator pointed out that Monzo had given Mr W opportunities to explain he was investing with C, but Mr W hadn't disclosed that information. As a result, our Investigator said Monzo was prevented from providing more specific warnings because Mr W hadn't been accurate with his answers and they still thought the warnings Monzo gave were proportionate in the circumstances.

Mr W didn't accept our Investigator's view and so the complaint 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.

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

In broad terms, the starting position at law is that a firm such as Monzo is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.

Here, it's not in dispute that Mr W made the scam payment from his Monzo account. So, the payment was authorised and under the Payment Services Regulations, the starting position here is that Mr W is responsible for the payment (and the subsequent loss) despite the payment being made as a result of a scam.

However, that isn't the end of the story. Good industry practice required Monzo to be on the lookout for account activity or payments that were unusual or out of character to the extent that they might indicate a fraud risk. On spotting such a payment, I'd expect it to take steps to warn the customer about the risks of proceeding.

When the scam payment was made, Monzo ought to have known that the destination of the payment was a cryptocurrency exchange. At the time of the payment, firms like Monzo had been aware of the risk of multi-stage scams involving cryptocurrency for some time. Scams involving cryptocurrency had reached record levels in 2022. By October 2023 (when Mr W made the scam payment to K), Monzo ought fairly and reasonably to have recognised that there was an increased risk of fraud when its customers were using its services to purchase cryptocurrency.

So, in some circumstances, a payment to a cryptocurrency exchange should have caused Monzo to consider the payment as carrying an increased risk of fraud, despite the payment going to the customer's own digital wallet.

Monzo's explained that the scam payment was authenticated using open banking. As the payment was initiated using K's platform, no warnings were displayed by Monzo when the payment was requested by Mr W. However, Monzo did flag the payment was suspicious and it was blocked, pending further investigation from Monzo.

When the payment was blocked, Monzo contacted Mr W via the in-app chat function. Monzo explained to Mr W that the payment had been blocked due to a concern that he was falling victim to a scam and that someone would contact him to discuss the payment further.

The following day, Monzo reached out to Mr W. Monzo explained some common features of investment scams involving cryptocurrency and invited Mr W to read a blog about investment scams. Unfortunately, the common features explained by Monzo didn't fit the scam Mr W was falling victim to (aside from a warning about fake trading websites). So, those warnings didn't resonate with Mr W at the time. Monzo subsequently called Mr W to discuss the payment further.

In their opinion of Mr W's complaint, our Investigator provided a detailed summary of the call between Mr W and Monzo. I've listened to the call, and I think our Investigator has summarised the conversation accurately. So, I don't intend on summarising the conversation again. Instead, I've focused on the key details from that call.

When Mr W responded to Monzo's questions, he didn't provide much information about what he was doing and his answers weren't delivered confidently. He said he had only been investing in cryptocurrency for around a month but was looking to move a large amount of money into cryptocurrency. Mr W couldn't persuasively explain what research he'd done into investing in cryptocurrency, or how he planned to use the funds once they were in his digital wallet with K. So, there were signs in the conversation that suggested Mr W was at risk of financial harm.

In the circumstances, I think Monzo reasonably ought to have had cause for concern about the payment Mr W was attempting to make. Monzo didn't accept Mr W's answers at face value and attempted to probe him further, by asking open questions about what he planned to do with the funds. Mr W said he was going to try some low value investments to gain experience. However, in reality, Mr W was intending to send all the funds to C, but he decided not to reveal this to Monzo.

After the call ended, Monzo asked Mr W to send a statement for his digital wallet with K. The statement showed Mr W had previously bought cryptocurrency using an account with a different banking provider, despite Mr W saying on the phone he wanted his cryptocurrency payments to be made from a single account to have better oversight of his expenditure. He'd also immediately withdrawn the cryptocurrency, which Mr W said were test payments to make sure the recipient wallet details were correct.

I think Monzo ought to have been concerned by the further information Mr W gave, as this wasn't consistent with his earlier answers. However, Monzo unblocked Mr W's account and allowed the payment to K to go through, without challenging the evidence any further or asking relevant questions. So, I've thought about whether further cryptocurrency scam warnings would, more likely than not, have resulted in Mr W not going ahead with the payment to K.

I don't know why Mr W decided not to tell Monzo that he was planning on investing all the money with C. He's explained that:

- C had a sophisticated and persuasive website, along with a mobile trading app;
- he researched C online before investing and there was no negative information;
- an independent online article claimed C had over 500,000 clients;
- C had been recommended to him by a friend;
- he was given a plausible explanation as to how he would make a profit;
- he had been able to make multiple withdrawals from C before the date of the payment from Monzo; and
- C had persuasively defended allegations made on an instant messaging service that it was a scam.

So, Mr W's own testimony suggests that he thought C was a genuine investment opportunity and was satisfied that it was suitable for him. Given Mr W's reluctance to reveal he was investing with C when Monzo spoke to him (via the in-app chat or by phone), I think it's more likely than not that if Monzo had questioned Mr W further, he wouldn't have revealed he was investing with C.

So, Monzo wouldn't have been able to give any tailored warnings targeting this specific type of scam and any generic warnings wouldn't have resonated with Mr W or prevented him from sending the payment – such was his belief that C was a legitimate trading platform. As a result, I'm not persuaded Monzo reasonably could've prevented Mr W from going ahead with the payment.

Mr W sent the funds to his own digital wallet with K, before converting them into cryptocurrency which was sent to C. As the funds had already left his digital wallet with K, there was nothing Monzo reasonably could've done to try and recover Mr W's loss once it was aware of the scam.

I don't think Monzo could've stopped Mr W from losing the money and there wasn't anything it reasonably could've done to recover the loss. As it couldn't reasonably have stopped the loss or recovered it, I'm not persuaded Monzo can be fairly held responsible for reimbursing Mr W in the circumstances.

My final decision

For the reasons explained above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 19 August 2025.

Liam Davies
Ombudsman