

The complaint

Mr B complains that Monzo Bank Ltd ('Monzo') won't refund the money he lost as a result of an investment scam.

He's being represented by a firm of solicitors. To keep things simple, I'll refer to Mr B throughout this complaint.

What happened

The background to this complaint is known to both parties, so I won't repeat all the details here. In summary, Mr B says:

- In August 2022, he received a friend request on a social media platform. He thought he'd connected with an old school friend and was led to believe he could make considerable profits by investing in cryptocurrency. But he'd unknowingly connected with a scammer. When he messaged to enquire further about the 'investment opportunity', he was told by the scammer that they'd manage the 'investment' on his behalf.
- Believing the opportunity was genuine, he made a payment of £500 on 25 August 2022. This was sent directly to an account of an individual (I'll call 'M') he was led to believe was the scammer's "*manager*". Later that day he was told this 'investment' had grown to £5,000 plus interest. All subsequent payments were for various 'fees' and 'taxes' he was told he had to pay to access his funds, using a link he was given to a 'fake' platform for a company (I'll call 'A'). Funds for these 'fees' were initially sent through crypto-platforms (I'll call 'C' and 'K') which he'd been told to open by the scammer. Later 'fees' were paid through an account with a payment services provider (I'll call 'W').
- In early September 2022, he developed concerns about being scammed and contacted the Financial Conduct Authority (FCA) about those concerns. But these were alleviated when, on 6 September 2022, he received an email seemingly from the FCA confirming that 'A' was a genuine company. By the time he discovered the genuine email from the FCA had been 'spoofed' by the scammer, further funds had been sent to the scam. In total, over £10,000 was sent to the scam between 25 August and 6 October 2022.

A complaint was made to Monzo in December 2023 and later referred to our Service. Our Investigator considered it and upheld it in part. In summary, he concluded Monzo didn't need to refund the payment to 'M' (under the principles of the CRM Code) because Mr B had done little to check that who he was paying was legitimate and the returns he'd been promised were too good to be true. He also thought that Monzo should have intervened to question Mr B about a payment he made on 29 August 2022 and that, if it had, the scam would likely have been unravelled. He recommended a refund from that payment onwards subject to a 50% reduction to take account of Mr B's own contributory negligence towards his loss.

Provisional decision

Before issuing my provisional decision, I sent an informal email to Mr B, on 24 January 2025. In this I explained why I was not minded to uphold this complaint.

In summary, I said I wasn't convinced the payments were significant enough or that a clear

pattern had emerged to the extent that Monzo ought to have intervened on suspicion of fraud. I also explained that, even if I were to agree Monzo ought to have done more, it's clear Mr B had recognised he was likely falling victim to a scam within a week of it starting. And given that it was the spoofed email from the FCA that resulted in him making further payments, I wasn't persuaded things would have played out very differently if Monzo had warned him of a possible scam and advised him to carry out more due diligence.

Mr B provided further comments for me to consider. And, on 24 February 2025, I issued my provisional decision. I set out the background (as above) and again explained why I wasn't minded to uphold this complaint. I provided the following reasons:

In broad terms, the starting position is that a bank is expected to process payments that a customer authorises it to make, in accordance with the Payment Services Regulations (PSRs) and the terms and conditions of the customer's account.

But that's not the end of the matter. Monzo (although not a signatory) has agreed to consider eligible claims in line with the CRM Code. And taking into account longstanding regulatory expectations and requirements, and what I consider to have been good practice at the time, it should fairly and reasonably have also been on the look-out for the possibility of fraud and made additional checks, before processing payments in some circumstances.

The payment to 'M'

The relevant part of the CRM Code's definition of an Authorised Push Payment (APP) scam requires the payment to have been made to "another person for what they believed were legitimate purposes but which were in fact fraudulent". The CRM Code requires firms to reimburse victims of APP scams unless it can establish that it can rely on one of the listed exceptions. A bank may choose not to reimburse a customer under the code if it can establish that:

- The customer ignored what the CRM Code refers to as an "Effective Warning" by failing to take appropriate action in response to such an effective warning.*
- The customer made payments without having a reasonable basis for believing that: the payee was the person they were expecting to pay; the payment was for genuine goods or services; and/or the person or business with whom they transacted was legitimate.*

There are other exceptions listed in the CRM Code that aren't relevant here.

From what's been provided, the scam doesn't appear to have been particularly elaborate at the outset. Instead, according to the evidence, it seems Mr B made this particular payment after connecting with someone he thought was an old school friend on social media, seeing posts about their successes, and being led to believe he could make returns that, in my view, ought to have flagged as unrealistic. I note, for example, Mr B has told us that, at the outset, he understood he'd be able to make £6,700 in profit. I also note, from his scam report to Monzo that he said he "probably knew this wasn't right". And I can't see he was given a plausible explanation as to why he needed to pay 'M' directly as opposed to, for example, an investment platform/company. I think all of this ought to have been concerning.

Taking all the above into account, including the lack of complexity of the scam at the time, what Mr B was told he'd receive, his own apparent concerns, and what he was asked to do in relation to this payment, I don't think he had a reasonable basis for believing the person he was dealing with was genuine or that it was reasonable for him to make the payment in the circumstances. I don't therefore think Monzo needs to refund this payment in full.

Effective warning

The CRM Code also sets out standards that firms are required to meet. Where these aren't met, the firm may still be liable to reimburse a victim in part, even where it has been able to establish that an exception to full reimbursement may be fairly applied. Those requirements include the provision of what the CRM Code defines as an 'Effective Warning' when a firm identifies an APP scam risk in relation to a payment. But I wouldn't have expected Monzo to have identified such a risk here. The payment was not of significantly high value and there was nothing else about it that I think was suspicious enough for Monzo to have intervened. So, I'm not persuaded that Monzo should refund part of this disputed payment.

Other considerations

I've considered if this payment should be refunded for any other reason outside the scope of the CRM Code. But, as noted above, I don't think there was anything about it that ought to have flagged as suspicious such that it was unreasonable for Monzo to have processed it without taking additional steps. And, in terms of recovery, assuming 'M' was directly involved in the scam, it's unlikely Monzo would have been able to recover those funds by the time the matter was reported, as scammers will likely move funds quickly to avoid recovery. So, I don't think Monzo needs to refund this payment under the CRM Code or any other basis.

Subsequent payments

All payments after the payment to 'M' were made to accounts in Mr B's own name, before they were sent to the scammer, so they're not covered under the CRM Code.

As noted above, the starting point under the PSRs is that a customer is liable for payments they've authorised. But there are some situations where I consider that a business, taking into account relevant rules, codes and best practice, should reasonably have taken a closer look at the circumstances of a payment – if, for example, it's particularly out of character.

In his outcome, the Investigator thought that a payment on 29 August 2022 to 'C' should have flagged as concerning such that Monzo ought to have questioned Mr B about it. In my view, while I realise multiple payments can be an indicator of fraud, I'm mindful the individual payment amounts here were relatively low, fluctuated in value, and some of the ones listed were attempts by Mr B to re-make the same payment after being immediately reverted back to his account. I'm also mindful some of the payments initially listed don't represent a loss and that Mr B had made payments ranging from a few hundred to a few thousand pounds previously. Overall, as explained in earlier correspondence, I'm not convinced there was enough about any of the payments or the account activity during the scam period for me to conclude Monzo ought to have intervened on the basis of a heightened risk of fraud.

That said, even if I were to agree with the Investigator that Monzo ought have done more to protect Mr B from the risk of fraud, I'd also need to be satisfied that such an intervention would have made a difference – and, on balance, I'm not persuaded it would have.

This is because, as explained in earlier correspondence, Mr B contacted Monzo in the early hours of 1 September 2022 to report he'd been scammed. He explained at the time that he'd fallen victim to a scam after he'd seen posts and contacted someone on social media. He told Monzo "I can't believe I fell for a scam this bad". He said he was upset with himself that "he'd continued to follow through and pay more and more". He added "I'm now in a position where I have no money left...because I was chasing something I probably would never get and I can't believe I fell for it" and "I saw all the signs and still continued". On 2 September 2022, he went on to say: "I've been the victim of a scam and...spent a lot of money thinking I was getting a return...I just made a mistake but it won't happen again".

In response to Mr B's scam report, Monzo said it'd start its investigation into the claim and offered 'wellbeing' support. It then contacted Mr B on 13 September and 14 September 2022 asking for more information about the scam and any due diligence he'd carried out, so it could investigate further. On 14 September 2022, Mr B replied to Monzo's chasers saying: "I'm currently collecting the evidence i.e screenshots and writing it in a report to send to yourselves". And I can see that Monzo contacted Mr B again on 17 September 2022 letting him know it was closing the claim as it hadn't received a reply to its information requests. It added that: "if you do have evidence please let us know and we can reopen the investigation for you". There was then no further contact from Mr B until 13 October 2022 when he messaged Monzo solely about its decision to close his account.

I understand Mr B's comments that he only continued to make payments to the scam after he thought he'd received reassurance from the FCA that 'A' was a genuine company. I again realise the sequence of events was particularly unfortunate here. But it's important for me again to emphasise that Monzo wouldn't have known for certain Mr B was being scammed. There was little information available about 'A' itself. As part of any intervention, I'd have expected it to warn Mr B of the possibility of a scam and to have advised him to carry out further due diligence, such as contacting the FCA before making more payments.

With this in mind, given Mr B had himself recognised he was likely falling victim to a scam on the basis that he was being asked "to pay more and more" and that he "saw all the signs". And given he nevertheless went on to contact the FCA for reassurance and only continued to send payments after he'd received a spoofed email from the FCA in September 2022, I'm not persuaded things would have played out very differently even if I were to find Monzo ought to have earlier warned him of a possible scam and advised him to carry out more due diligence.

To put it another way, I'm not persuaded a proportionate intervention would necessarily have yielded anything significant that would have led Mr B to act differently to how he did after he first reported the scam to Monzo such that his losses would have otherwise been prevented. On balance, it seems likely he'd have responded to a warning from Monzo by still contacting the FCA for reassurance and, while I've not been provided with any of his communication with the scammer and I can't know for sure how his emails were intercepted, I think it's more likely than not that the events would have unfolded as they did. That is, with the email from the FCA being intercepted and Mr B starting payments again off the back of a spoofed email.

Further interventions

In response to my previous correspondence, setting out why I wasn't minded to uphold this complaint, Mr B has suggested that if Monzo had contacted him to ask questions about his payments, then the scam and the spoofed email from the FCA would have come to light.

But this assumes the further payments Mr B made to 'W' after the scam was first reported to Monzo warranted an intervention. As I've explained, I don't think there was enough about any of the payments (including those to 'W') for Monzo to have intervened on suspicion that Mr B was at a heightened risk of fraud. And while Mr B has said Monzo was aware the payments to 'W' were part of the scam that's not supported by the evidence. The payments to 'W' hadn't started when the scam report was made to Monzo in September 2022 – and I'm not persuaded it was careless of Monzo not to question these before processing them.

I've also thought about Mr B's comments that it was careless of Monzo not to question him about his payments to 'W' without first following up on the scam claim he'd reported. But as I've already mentioned Monzo did contact Mr B following his scam report. It contacted him on 13 and 14 September 2022 asking for further information about the scam so it could look into things further. It also chased Mr B for a response on 17 September 2022, after Mr B had

replied, on 14 September 2022, to say he was collecting evidence in a report he intended to send. I note that there was no mention of Mr B having received an email from the FCA at the time. So I'm not persuaded it'd be fair to uphold this complaint on the basis that Monzo didn't follow up on the scam claim and again I don't consider the circumstances were such that Monzo should have stopped payments from the account until it had heard from Mr B.

Recovery

For the transfers, it's unlikely Monzo could have successfully attempted recovery given those funds were sent to Mr B's accounts for the purchase of cryptocurrency before this was sent to the scammer. For the card payments, there was again little Monzo could have done, as they too were used to buy cryptocurrency that was then sent to the scammer. And I don't consider a chargeback would have had any prospect of success given there's no dispute Mr B received the cryptocurrency he subsequently sent to the scammer.

To summarise, I'm again sorry Mr B was the victim of a cruel scam. I can understand why he wants to do all he can to recover his money. But, for the reasons above, I'm not persuaded I can fairly and reasonably uphold this complaint and require Monzo to refund his losses.

Responses to provisional decision

I invited further comments and evidence from both parties. I provided a deadline for these and said that, unless the new information changes my mind, my final decision would likely be along the lines set out in my provisional decision. Monzo didn't respond by the deadline. Mr B responded with additional comments for me to consider. In summary:

- The scam was reported to Monzo on 1 September 2022. At that point, Monzo was fully aware of the ongoing scam. Given this, it's reasonable to expect that Monzo should have implemented additional measures to prevent further payments from leaving the account without thorough verification.
- Despite Monzo's awareness of the potential scam, payments continued until 6 October 2022. Monzo had a duty of care to intervene more assertively once the scam was reported. An effective intervention could have included temporarily freezing the account or placing a hold on large or suspicious transactions, discussing the situation in detail and providing warnings about the risks of continuing to make payments, and advising on the steps to verify the legitimacy of the FCA email. Monzo is better placed to detect and understand the sophisticated tactics used by scammers, including the spoofed email.
- If Monzo had advised it suspected the ongoing payments were part of the scam and given guidance on how to verify the FCA email and the 'investment' he'd have been more equipped to recognise the scam and stop further payments. Monzo should have adhered to industry standards and best practices including being vigilant for signs of fraud and taking proactive measures to protect once a potential scam has been reported.

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 decided not to uphold it for largely the same reasons I've previously given.

In my provisional decision I explained why I wasn't convinced there was enough about the payments or the account activity during the scam period for Monzo to have intervened on a

heightened risk of fraud. I also explained I didn't think an intervention before the scam report would, in any event, have made a difference. And that I wasn't persuaded it was careless of Monzo not to question the payments following the scam report. I went on to say I wasn't persuaded it'd be fair to uphold the complaint on the basis that Monzo didn't follow-up on the scam claim (the evidence shows that it did) or that the circumstances were such that Monzo should have stopped further payments until it had heard back from Mr B.

I've again thought carefully about Mr B's comments that Monzo should have been more vigilant and implemented additional measures once the scam had been reported. But, in considering what's fair and reasonable in all the circumstances, I think it's again important to keep in mind the events as they happened and the detail of what Mr B communicated to Monzo at the time. And, in my view, there wasn't anything about what Mr B had said (as I've previously set out) to indicate he hadn't recognised the scam or would be making more payments towards it. There was also no suggestion Mr B didn't have control of his account or was vulnerable such that he might have been unable to protect himself from a scam he'd himself already recognised. And I still can't overlook that, when Monzo followed up for more information after the scam report, there was nothing in Mr B's replies to suggest he was continuing payments or that he'd received an email from the FCA as reassurance.

I'm therefore still not satisfied it'd be fair to uphold this complaint on the basis that Monzo didn't follow-up on the scam report or that the circumstances were such that Monzo ought to have frozen the account or blocked payments. And while I understand the point that Monzo should have been on alert for suspicious activity, I'm still not persuaded there was enough about the payments to 'W' for it to have questioned Mr B about them, considering their values and when they were made. In reaching this view, I'm again mindful payments to 'W' hadn't been reported as a scam. They also differed from those that had been reported in that W was not, for example, exclusively a crypto-provider.

This isn't a decision I've made lightly. I'm again sorry Mr B was the victim of a scam and about the money he's lost. But, considering all the circumstances, I'm not persuaded I can fairly and reasonably uphold this complaint and hold Monzo liable for those losses.

My final decision

For the reasons I've given, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 8 April 2025.

Thomas Cardia
Ombudsman