

The complaint

Ms R complains that Monzo Bank Ltd is unfairly holding her liable for the debt on a loan and money she lost as a result of a scam.

What happened

The background to this complaint is well known to both parties, so I won't repeat everything here. In brief summary, Ms R has explained that in August 2023 she received a call from a fraudster who was able to trick her into thinking he was calling from Monzo because her Monzo account was compromised. She was tricked by this fraudster, to protect her account, into taking out a £25,000 loan with Monzo and making payments out of her Monzo account totalling £19,980.08 ultimately to the fraudster(s).

Later the same day Ms R was relaying the events to a friend who was concerned Ms R might have been scammed, so Ms R called Monzo. Monzo checked and then confirmed to Ms R that Monzo hadn't called her earlier, and it looked like she'd been scammed. Monzo then looked into things. I understand that Monzo refunded to Ms R three of her payments totalling £9,980.08; it also offered Ms R some credits of £25 and £80 to apologise for some service issues, and to refund Ms R interest of £34.76 incurred on the loan during a period Monzo was slow to apply a repayment to the loan Ms R instructed.

Ultimately, full agreement on how to resolve things couldn't be reached, so Ms R referred her complaint about Monzo to us. As our Investigator couldn't resolve the matter informally, the case has been passed to me for a decision.

I sent Ms R and Monzo my provisional decision on 26 February 2025. Ms R responded to my provisional decision and said she fully repaid the loan on 20 January 2025, and she sent us a screenshot supporting this. I therefore emailed Ms R and Monzo on 6 March 2025 explaining that, in light of this, my intended direction was slightly different and I explained what it now was. Monzo has since replied and said it accepts my provisional outcome. Now both parties have had fair opportunity to respond, and indeed have responded, I'm ready to explain my final decision.

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 conclusions as in my provisional decision and for the same reasons, subject to the amendment to appropriate redress as explained in my email of 6 March 2025. I've explained my reasons again below.

Did Monzo act fairly and reasonably in its dealings with Ms R?

On 23 August 2023 Ms R applied for and was granted by Monzo a £25,000 loan and she was then tricked into sending £19,980.08 of this money out from her Monzo account the same day ultimately to the fraudsters.

I'm satisfied Ms R authorised the relevant payments. Even though Ms R was tricked by the fraudster this doesn't mean she didn't consent to the payments under The Payment Services Regulations. And under those regulations and the terms and conditions of the account, Ms R is presumed liable for the loss of the payments in the first instance, in circumstances where she authorised the payments. However, this isn't the end of the story.

Ms R may have heard of the Payment Systems Regulator's APP scam reimbursement (ASR) rules, which were introduced on 7 October 2024 to reimburse consumers who are the victims of scams in certain circumstances. These rules aren't retrospective however and don't apply to this case.

There's also the Contingent Reimbursement Model (CRM) code. This is a voluntary code introduced in 2019, again to reimburse consumers who are the victims of scams in certain circumstances. Monzo has said it is committed to applying the CRM code. However, the CRM code doesn't apply to debit card payments or payments made to another account in the customer's own name. So, like the ASR rules, the CRM code doesn't apply to this case.

Nevertheless, there are still, in any event, other various and longstanding expectations of payment service providers like Monzo to be alert to fraud and scams and to act in their customers' best interests. Good industry practice was that Monzo ought to have been on the look out for transactions that were unusual or uncharacteristic to the extent that they might indicate a fraud risk. On spotting such a payment instruction, I would expect Monzo to intervene in a manner proportionate to the risk identified. And here, having reviewed Ms R's Monzo account activity from 1 January 2023 onwards, it's clear that her transactions on 23 August 2023 were totally unusual and uncharacteristic. And given the rise in fraud and scams, which Monzo has known about now for many years, I think Monzo reasonably ought to have realised from the pattern of activity and the payments Ms R instructed that she was at heightened risk, on 23 August 2023, of financial harm from fraud, such that it ought to have paused the payments and have contacted Ms R to check everything was okay (which is something it unfortunately did not do).

Monzo was also required to ensure that it didn't lend irresponsibly. It was required to complete reasonable and proportionate checks to satisfy itself that the loan would be affordable, and that the borrower would be able to repay the loan in a sustainable way. In this regard, Monzo has said that Ms R presented in the loan application as being employed full-time earning £33,000 gross per year, with monthly rent of £300; and that it then pulled data from credit agencies to assess affordability of the loan, and based on this the loan was deemed affordable. However, this loan was for £25,000, and with an expected monthly repayment of £569, I would expect Monzo's reasonable and proportionate checks to have included a greater level of verification of Ms R's income and expenditure than this, because from this information Monzo had without this, Monzo couldn't be sure enough it would be lending responsibly.

If Monzo had acted fairly, would Ms R's loss most likely have been prevented?

The scam, including the taking out of the loan and the payments away, all happened within a short space of time – within around one or two hours. I understand Ms R then called Monzo on that same day, within hours, explaining that she was just relaying the events to a friend who was concerned she'd been scammed. Bearing this in mind, in deciding whether Monzo ought reasonably to have prevented things, it's clear that in order for the scam to succeed on that day, time was of the essence – in the sense that if there had been any significant friction or even a relatively short delay in the loan being approved and/or the payments being instructed, it's likely the scam ought not to have succeeded.

It's worth noting here that the payments couldn't have been made without the loan being approved first. And I think if Monzo had more thoroughly verified affordability of the loan, particularly as Ms R had her salary paid into an account held with a different bank, not Monzo, it's likely this would have delayed matters sufficiently to have prevented Ms R's loss.

But in any event, as I've said, I'm satisfied Ms R's transactions on 23 August 2023 were completely unusual and uncharacteristic and sufficiently suspicious that Monzo reasonably ought to have realised Ms R was at heightened risk of fraud, and to have paused the payments and have contacted Ms R to check everything was okay. Our Investigator questioned whether this would have made a difference, bearing in mind Ms R was on the phone to the scammer. For example, I know like many customers, Ms R has commented that she'd previously received warnings from Monzo when making some legitimate payments that she hadn't given the fullest possible attention. She's also said that the scammer instructed her to click past any warnings.

But despite this, I still think, if Monzo had done what it reasonably should have, it's most likely that Ms R's loss would have been prevented. This is because (even ignoring what I've already said about the loan application and how Monzo ought to have spent further time verifying it was affordable) Ms R's payments quickly became so unusual and suspicious that I would have expected Monzo to have put the payments on hold until it could enquire with Ms R about them. I also note that as the remaining £10,000 loss that Monzo hasn't yet refunded wasn't paid to the scammers from Ms R's Revolut account until Ms R had made all the payments from her Monzo account, that if Monzo had intervened at any point during those payments out of the Monzo account, they would likely either have been prevented or recoverable.

And even if Monzo hadn't called Ms R, its intervention ought to have at least extended to human interaction, with it pausing the payments and forcing Ms R into an in-app chat. An in-app chat, in a scam like this, is, in my opinion, a significantly different prospect to automated warnings without human intervention. Ms R did question the scammer about why she should trust him. And I don't think she would have been so convinced such as to not engage with Monzo on the telephone or through an in-app chat, whereby Monzo really ought to have been able, bearing in mind what it knows about safe account scams, to have quickly uncovered this scam and have protected Ms R from these losses.

Is it fair and reasonable for Monzo to be held responsible for Ms R's loss?

In reaching my decision about what is fair and reasonable, I have taken into account that Ms R paid money from her Monzo account to her account with Revolut before the money was sent on from there to the fraudsters. Monzo has said it considers this to be a shift in liability to Revolut. However, Monzo ought to be well aware, and well before the time of these scam payments, of how multi-stage scams can work, including that customers often move money to a different account in their own name before moving it on again from there to the scammers. So this wasn't a good reason to not pause the payments pending enquiries with Ms R.

This means I still think Monzo should have recognised that Ms R might have been at risk of financial harm from fraud, and in those circumstances, it should have declined the payments, or paused them, and made further enquiries. If it had done so, I am satisfied it would have prevented the loss Ms R suffered. The fact the money was transferred first to Ms R's account with Revolut (before the scammers) doesn't alter that fact, and I think Monzo can fairly and reasonably be held responsible for Ms R'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 the firm that is the point of loss. I've also considered that Ms R has only referred a complaint to us about Monzo. I accept that it's *possible* that other firms might also have

missed the opportunity to intervene or failed to act fairly and reasonably in some other way, and Ms R could instead, or in addition, have sought to complain against those firms. But Ms R has not chosen to do that and ultimately, I cannot compel her to. In those circumstances, I can only make an award against Monzo.

I'm also not persuaded it would be fair to reduce Ms R's compensation in circumstances where: the consumer has only complained about one respondent from which they are entitled to recover their losses in full; has not complained against the other firm (and so is unlikely to recover any amounts apportioned to that firm); and where it is appropriate to hold a business such as Monzo responsible (that could have prevented the loss and is responsible for failing to do so). That isn't, to my mind, wrong in law or irrational but reflects the facts of the case and my view of the fair and reasonable position.

Ultimately, I must consider the complaint that has been referred to me (not those which haven't been or couldn't be referred to me) and for the reasons I have set out above, I am satisfied that it would be fair to hold Monzo responsible for Ms R's loss from the first payment onwards.

Should Ms R bear any responsibility for her losses?

I've thought about whether Ms R should bear any responsibility for her losses that I've said Monzo should have prevented. In doing so, I've considered what the law says about contributory negligence, as well as what I consider to be fair and reasonable in the circumstances of this complaint.

In this case, I think it's fair to say Ms R was put under pressure to act quickly. She's explained that the scam was set up by a link she received by text message to reschedule a delivery; and that this tricked her because she was expecting a delivery around that time. And then when the fraudster called her, they were able to give her certain information, and then to send a code to her phone that appeared to be from Monzo in her text messages, that made her think it really was Monzo. Overall, I think Ms R felt under pressure to act quickly, that she was tricked by a resourceful and clever fraudster; Revolut has said it didn't intervene in the payments, so she didn't ignore any warnings from them; and that bearing in mind she was genuinely and unwittingly tricked into thinking her account was at risk, I can't fairly say she acted with such carelessness or disregard, that a deduction for contributory negligence would be appropriate here. So whilst there may be cases where a reduction for contributory negligence is appropriate, I'm satisfied this isn't one of them.

Putting things right

As a result of this scam, Ms R took out a £25,000 loan with Monzo and paid away from her Monzo account (and lost) £19,980.08. Monzo returned to Ms R £9,980.08 of her lost funds in September 2023.

Appropriate redress, in my view, is therefore that Monzo refunds to Ms R the remaining £10,000 loss from the payments out of her Monzo account. I'm also satisfied that the loan situation should be remedied because if Monzo had done what I think it reasonably ought to have done, then either the loan would never have been granted at all, or else Monzo would quickly have uncovered on the day what happened, meaning the payments wouldn't have been lost and the loan could have been cancelled (which would have been a reasonable thing for Monzo to do on discovering Ms R had been the victim of such fraud). In such a case, where Monzo ought reasonably to have prevented these losses, it would be unfair for Monzo to hold Ms R to the terms of the loan, apart from the principal amount borrowed.

My final decision

For the reasons explained, I uphold this complaint and I direct Monzo Bank Ltd to:

- amend Ms R's credit file removing any information about the loan and searches;
- refund to Ms R any interest and charges she was charged and paid for on the loan;
- pay interest on the above refund calculated at 8% simple per year from 20 January 2025 to the date of settlement*;
- pay Ms R £10,000 to return the remaining funds Ms R has lost which Monzo hasn't yet refunded;
- pay Ms R interest on this £10,000 calculated at 8% simple per year from 20 January 2025 to the date of settlement*.

*If Monzo deducts tax from this interest, it should provide Ms R with the appropriate tax deduction certificate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms R to accept or reject my decision before 10 April 2025.

Neil Bridge
Ombudsman