

The complaint

Mr H is unhappy that Monzo Bank Ltd won't reimburse money he lost to a scam.

What happened

The background to this complaint is well known to both parties, so I won't repeat everything here. In summary, Mr H has explained that between June and July 2024 he made payments from his Monzo account to buy cryptocurrency which he ultimately lost to an investment scam.

Mr H was contacted through a messaging app by someone promoting an investment with a company I will refer to as "F". Mr H has said he researched F but couldn't find any details about it. F later sent him documentation which he said looked genuine.

Mr H has said he was also added to a group chat with other "investors". He said the messages in the chat confirmed they had been able to make substantial returns which appealed to him at the time as he'd been made redundant. He was also given access to an account with F where he could monitor his funds.

Mr H made payments from his Monzo account to a genuine cryptocurrency provider. He then sent these funds onto the scammers. He has said he was able to make a small withdrawal to start with but within a few days all his funds on the account with F disappeared and he was told he needed to invest further funds. It was at this point he realised he had been scammed.

Mr H reported he had been scammed to Monzo. He made the following payments as part of the scam:

Payment number	Date	Payee	Amount
1	7 June 2024	Payment to cryptocurrency account	£410.54
-	17 July 2024	Declined payment to cryptocurrency account	£10,604.30
2	17 July 2024	Payment to cryptocurrency account	£9,789.57
3	18 July 2024	Payment to cryptocurrency account	£1,060.97
Total Loss			£11,261.08

Mr H raised a complaint with Monzo. Monzo didn't think it had done anything wrong by allowing the payments to go through. So, Mr H brought his complaint to our service.

Our Investigator looked into the complaint and upheld it in part. He thought that Monzo should have identified that Payment 2 was concerning and should have questioned Mr H about it before it debited his account. If Monzo had done this, the Investigator thought that the scam would have come to light and Mr H's further losses would have been prevented.

Our Investigator however thought that Mr H ought to take some responsibility for his loss too. The Investigator thought that a fair deduction to the amount reimbursed would be 50%.

Monzo remained unhappy with the outcome, so the complaint has been passed to me for a 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 come to the same outcome as the Investigator for largely the same reasons. I'll explain why.

In broad terms, the starting position in law is that a bank is expected to process payments and withdrawals that a customer authorises it to make. It isn't disputed that Mr H authorised the payments from his Monzo account. Therefore, under the Payment Services Regulations 2017 and the terms of his account, Monzo is expected to process Mr H's payments and he is presumed liable for the loss in the first instance.

But in some circumstances, it might be appropriate for Monzo to take a closer look at the circumstances of the payments – for example, if it ought to be alert to a fraud risk, because the transactions were significantly out of character or suspicious. And if so, it should have intervened, for example, by contacting the customer directly, before releasing the payments. This is to help protect customers from the possibility of financial harm from fraud. But I'd expect any intervention to be proportionate to the circumstances of the payment.

By June 2024 Monzo should also have acted to avoid causing foreseeable harm to customers, for example by maintaining adequate systems to detect and prevent scams and by ensuring all aspects of its products, including the contractual terms, enabled it to do so.

Monzo should also have been aware of the increase in multi-stage fraud (including those involving cryptocurrency) when considering the scams that its customers might become victim to. Multi-stage fraud involves money passing through more than one account under the consumer's control before being sent to a fraudster. Our service has seen a significant increase in this type of fraud over the past few years and it's a trend Monzo ought fairly and reasonably to have been aware of at the time of the scam.

Scams involving cryptocurrency have also increased over time. The FCA and Action Fraud published warnings about cryptocurrency scams in mid-2018 and figures published by the latter show that losses suffered to cryptocurrency scams have continued to increase since. They reached record levels in 2022.

I think Monzo would have been aware at the time these payments were made, in June and July 2024, that fraudsters use genuine firms offering cryptocurrency as a way of defrauding customers and that these scams often involve money passing through more than one account. So, Monzo ought to fairly and reasonably be alert to whether these payments were part of a wider scam. The fact that the money used to fund the scam wasn't lost at the point it was transferred to Mr H's own account does not alter the fact that I think Monzo can fairly be held responsible for Mr H'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 business that is the point of loss. Where there is a failure by a firm to properly intervene and protect a customer, it might then be fair and reasonable to say that firm becomes responsible for the customer's loss. And so, in Mr H's case, it's for me to determine if Monzo made any error(s) over the course of the scam and, if so, whether it's fair and reasonable for it to be held responsible for Mr H's losses as a result.

Should Monzo have identified that Mr H might be at a heightened risk of fraud?

I'm conscious that Payment 1 was relatively modest so I can't see any reason for Monzo to have been particularly concerned about it. A payment of this size is unlikely to have appeared unusual to Monzo. So, I don't think this payment alone would have indicated that Mr H might be at risk of financial harm from fraud.

However, Payment 2 was significantly higher than the previous payment and, in my view, the payment was a clear escalation in value and had the potential to cause significant financial harm to Mr H. Taken together with Payment 1 and the declined payment, as well as the destination being cryptocurrency, which I think would have been identifiable to Monzo. I consider Monzo ought reasonably to have identified that a pattern had developed that could indicate Mr H was at risk of financial harm from fraud. Monzo has highlighted that Mr H had previously invested in cryptocurrency, but these payments were significantly lower than Payment 2, so this payment should have looked unusual.

So, when Mr H attempted to make Payment 2, taking into account the increased risk that cryptocurrency transactions presented, I think Monzo ought fairly and reasonably to have recognised the risk had increased and there was a heightened possibility that the transaction was linked to a cryptocurrency scam. I consider that a proportionate intervention from Monzo here would have been for it to ask Mr H a series of questions to narrow down the specific scam risk and provide a tailored warning which covered off the key features of the scam risk it had identified.

Of course, any such warning relies on the customer answering questions honestly and openly, but I think Mr H would have been open and honest about the circumstances of this payment had Monzo intervened. He hasn't told us that he'd been coached in how to mislead Monzo had they intervened with questions about the circumstances of this payment and I've seen no evidence of this in the correspondence I've seen. And I think that a warning provided by Monzo, alerting him to the key features of the type of scam he was falling victim to, would have resonated with Mr H – because so much of what he'd experienced was typical of similar scams, which would have been highlighted to him in a warning. Taking this into account, I think, he's likely to have decided not to go ahead with any further payments, had such a warning been given.

I'm therefore satisfied Monzo can be fairly and reasonably held responsible for Mr H's loss for Payment 2 and 3 (subject to a deduction for Mr H's own contribution which I will consider below).

Should Mr H bear any responsibility for his losses?

In considering this point, I've taken into account what the law says about contributory negligence as well as what's fair and reasonable in the circumstances of this complaint.

I recognise that, as a layperson, there were aspects to the scam that would have appeared convincing. Mr H was given access to an account with F which, I understand, would have used genuine, albeit manipulated, software to demonstrate the apparent success of trades. The scammers were also in regular contact with Mr L. So, I've taken all of that into account when deciding whether it would be fair for the reimbursement due to Mr H to be reduced. I think it should be.

Mr H was unexpectedly contacted via a messaging app to promote the investment. This should have appeared unusual as it's not something a legitimate business would usually do. He also had difficulty finding any information about F online and decided to invest based on information supplied to him by it, rather than doing his own checks into the investment. So, in

the circumstances I don't think he undertook appropriate checks into the legitimacy of F before proceeding.

The profits described by the scammer should have also highlighted the returns were too good to be true and raised concerns about the investment. Mr H has said the scammer showed profits being made on his money, but such returns should have put him on notice that something might not have been right, and he should have made further enquiries, certainly before making Payment 2.

I understand that Mr H was experiencing some difficult circumstances at the time he fell victim to the scam. I'm sorry to learn about this. But from what he's said, I think there were enough concerns with the investment which Mr H should have taken into account before sending his funds.

Taking all of the above into account I think that Monzo can fairly reduce the amount it pays to Mr H because of his role in what happened. Weighing the fault that I've found on both sides, I think a fair deduction is 50%.

Monzo has already paid Mr H compensation for the service he received. I agree there has been some delays in dealing with Mr H's complaint but overall I think the offer made is fair in the circumstances of the complaint, so I won't be asking it to do anything further.

Could Monzo have done anything else to recover Mr H's money?

There are industry standards around attempting recovery of funds where a scam is reported. However, the scam payments were sent from Monzo to a cryptocurrency account Mr H's name. From where he then would have moved the funds onto the scammers. So, I don't think there was any realistic prospect of Monzo recovering the funds.

Interest

Mr H has been deprived of the use of his funds on Payment 2 and 3. So, Monzo should pay 8% simple interest yearly to the 50% refund on these transactions (calculated from the date of the transactions until the date of settlement). He may have used these funds in a variety of different ways if they had remained available to him. I think 8% simple is a fair interest rate in these circumstances.

My final decision

For the reasons given above, I uphold in part this complaint and require Monzo Bank Ltd to pay Mr H:

- 50% of payments 2 and 3 – a total of £5,425.27
- 8% simple interest per year on that amount from the date of each payment to the date of settlement (less any tax lawfully deductible).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 31 October 2025.

Aleya Khanom
Ombudsman