

The complaint

Mr F is unhappy that Monzo Bank Ltd haven't refunded money he lost as a result of a scam.

Mr F is being represented by a claims management company but, for ease of reading, I'll only refer to Mr F in the decision.

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.

In around December 2023, Mr F was contacted via a messaging platform by a third-party who offered him a remote online role rating hotels. The third-party told him to open an account with a payment service provider – I'll refer to here as 'D'. In total Mr F made the following payments that were funded from another account he held with a bank – I'll refer to here as E;

	Date	Type of transaction	Amount
	30 December 2023	Faster Payment received from E	£3,331
1	30 December 2023	Debit card payment to crypto exchange	£3,330
	30 December 2023	Faster Payment received from E	£4,408.59
2	30 December 2023	Debit card payment to crypto exchange	£4,408
	31 December 2023	Faster Payment received	£5,000
	31 December 2023	Faster Payment received	£100
	31 December 2023	Faster Payment out	£5,100
		Total Loss	£7,738

Mr F realised he had been scammed when he was questioned by D and was unable to make any further withdrawals. So, he made a claim to Monzo for his money back, but Monzo said it wouldn't be offering him a refund. Unhappy with that response, he brought his complaint to the Financial Ombudsman.

Our Investigator felt the complaint should be upheld in part. She said that Monzo should've stopped the first payment and asked Mr F a series of questions to understand why he was making it. If Monzo had done that then she was satisfied the scam would've been uncovered. As a result, she felt Monzo should refund the payments Mr F made here with a split in responsibility between Mr F, Monzo and E.

Monzo disagreed and asked for an Ombudsman's review. It said the Monzo account wasn't Mr F's main account, so it was difficult to know what unusual spending was here. Monzo said given that crypto is a highly volatile investment it is often to be expected that large sums are paid out of the blue to crypto exchanges.

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'm going to uphold this complaint in part.

I've read and considered the whole file. But I'll concentrate my comments on what I think is relevant. If I don't mention any specific point, it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome.

It is common ground that Mr F authorised the scam payments of around £7,738. I accept that these were authorised payments even though Mr F was the victim of a scam. So, although it wasn't his intention to pay money to the scammers, under the Payment Services Regulations 2017 (PSRs) and the terms of his account, Mr F is presumed liable for the loss in the first instance.

However, taking into account the law, regulatory rules and guidance, relevant codes of practice and good industry practice, there are circumstances where it might be appropriate for Monzo to take additional steps or make additional checks before processing a payment in order to help protect customers from the possibility of financial harm from fraud.

Monzo's first obligation is to follow the instructions that Mr F provides. But if those instructions are sufficiently unusual or uncharacteristic for the account, I'd expect Monzo to intervene and to ask their customer more about the intended transaction before processing it. I'd also expect Monzo to provide suitable warnings about common scams to help their customers make an informed decision as to whether to continue with the payment. There might also be cases where it's appropriate for Monzo to refuse to follow the instruction if there are good grounds to believe it is being made because of fraud or a scam.

Monzo has argued that due to a lack of account history, and that this wasn't Mr F's main account, there weren't a lot of previous transactions to compare the two payments he made to the crypto exchange with. Therefore, deciding on what payments were unusual wasn't easy for it to do.

By December 2023, when these transactions took place, firms like Monzo had been aware of the risk of multi-stage scams involving cryptocurrency for some time. Scams involving cryptocurrency have increased over time. The Financial Conduct Authority (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. During that time, cryptocurrency was typically allowed to be purchased through many high street banks with few restrictions.

Monzo should also have been aware of the increase in multi-stage fraud, particularly 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 – particularly where the immediate destination of funds is a cryptocurrency wallet held in the consumer's own name.

Overall, taking into account relevant law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider it fair and reasonable in December 2023 that Monzo should:

- have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams;

- have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which firms are generally more familiar with than the average customer;
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment – (as in practice Monzo sometimes does); and
- have been mindful of – among other things – common scam scenarios, how the fraudulent practices are evolving (including for example the common use of multi-stage fraud by scammers, including the use of payments to cryptocurrency accounts as a step to defraud consumers) and the different risks these can present to consumers, when deciding whether to intervene.

So, taking into account all of the above, I'm satisfied that by the time Mr F made these payments in December 2023, Monzo ought fairly and reasonably to have recognised that its customers could be at an increased risk of fraud when sending money to crypto exchanges notwithstanding that the payment would often be made to a cryptocurrency wallet in Mr F's own name.

Taking the above into consideration, I'm satisfied the first payment Mr F made here was unusual for his account. It was a high value payment for him to make from this account to a high-risk crypto exchange. As a result, I'm satisfied Monzo should've stopped the payment and asked Mr F why he was making it. I appreciate Monzo's point that account usage can change over time. But given what I've mentioned above about payments to crypto and considering the previous transactions on the account, I think Monzo should've reasonably been concerned by the first payment Mr F made towards this scam.

If Monzo had stopped the payment and spoken to Mr F, I'd expect it to ask open ended questions about why he was making it. If it had done so, I'm satisfied Mr F would've been honest about his reasons for making the payment as he was with D. In that instance, he explained why he was making payments and actively listened to the warnings he received. So, I'm satisfied Mr F would've taken the same action here.

Did Mr F act reasonably in the circumstances?

The investigator felt that responsibility for the loss should be shared between Mr F (34%), Monzo (33%) and E (33%) here. Mr F has agreed with the Investigator. To be clear, I'm satisfied the split in liability is reasonable in this instance. Mr F ignored some red flags and expressed concern in the chats to the scammer about continuing to make payments towards the 'job'. I think he ought to have questioned this further before borrowing money from a family member. And if he had the scam could've been uncovered sooner.

As a result of the above, I'm satisfied that Mr F (34%), Monzo (33%) and E (33%) should split responsibility for the losses involved here.

Recovery

I've thought about whether Monzo did enough to attempt to recover the money Mr F lost, as there are some instances where debit card transactions can be refunded through making a chargeback claim.

A chargeback wouldn't have been successful for the debit card payments to the account in Mr F's name at the genuine crypto exchanges, as Mr F was able to move the money onto

the scammers. So, Mr F duly received the service he paid for on his debit card. The money was subsequently lost from his other account when it was moved by the scammers. So, he couldn't claim that he didn't receive the goods or services paid for from his Monzo account to the crypto exchange.

As a result, I don't think Monzo have acted unreasonably by failing to pursue a chargeback claim or try and recover Mr F's money here.

Putting things right

Payment one (£3,331) was sent from E to Monzo before £3,330 was sent to the crypto exchange. Monzo should refund 33% of £3,330 with E being responsible for 33% of the £3,331 that left the account in Mr F's name. Mr F is responsible for the remaining 34%.

Payment two (£4,408.59) was sent to Monzo and then sent to the crypto exchange. So, Monzo should refund 33% of that amount with E being responsible for 33% and Mr F 34%.

I'm not awarding any interest on the above reward as Mr F hasn't evidenced that he repaid the money he borrowed from his family member to make the payments.

My final decision

My final decision is that I uphold this complaint in part. Monzo Bank Ltd must do the following;

- Refund 33% of £3,330 and £4,408.59

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 5 June 2025.

Mark Dobson
Ombudsman