

The complaint

Mrs I complains that Monzo Bank Ltd is holding her liable for a loan and an overdraft she says were taken out by scammers. She accepts she moved the funds on from the loan, but says this was under the scammer's instructions.

What happened

In August 2023, Mrs I was contacted by someone claiming to be from Monzo, who explained that a third-party had applied for a £23,500 loan and an overdraft in her name. Mrs I has explained that when she checked her account, she saw that this was true. The caller encouraged Mrs I to act quickly to secure her account and pay back the loan debt, or they said she would be held liable for it.

Mrs I has explained she was told by the caller they would put through some payments which she needed to approve in her Monzo app, in order to repay the loan, which she did. They then said that she needed to set up an account with an Electronic Money Institution and move the funds to that new account to then pay the borrowing back. She followed the instructions given and the majority of the loan funds were spent. Mrs I had £3,500 left of the loan funds that day and was expecting to move these the next day, but realised she'd been scammed before this happened, so this sum wasn't lost.

She reported the scam to Monzo and asked it to help her recover the money and remove the debts. She explained she hadn't applied for either of them. Monzo didn't agree to do this and said Mrs I had applied for the debts and was liable for the loan, as it had been spent.

Mrs I came to our Service and our Investigator ultimately didn't uphold her complaint. They said the evidence indicated that Mrs I had applied for the borrowing and as she accepted she'd authorised the payments that spent it, she could be held liable for it. Mrs I disagreed and asked for an Ombudsman to review her case. Monzo agreed to follow this mediation, but Mrs I rejected it and asked 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.

The starting position in line with the Payment Services Regulations 2017 ("PSRs"), the relevant legislation here, is that Mrs I is liable for payments she's authorised, and Monzo is liable for unauthorised payments. Mrs I accepts that she made the payments out of this account to another account where they were lost to the scam. So these are treated as authorised. But Mrs I doesn't accept she consented to the loan that funded these payments, or agreed to the overdraft that was applied for. And this means she could not be liable for the debts under Section 83 of the Consumer Credit Act 1974.

Monzo holds technical information that shows the loan was applied for using Mrs I's registered device and through her Monzo app, which required Mrs I to log-in with her security credentials. Monzo carried out proportionate checks on the lending requested and

it's shown that Mrs I needed to record an ID video for the loan to be approved. Mrs I has confirmed she did complete this video herself. She's said this was requested by the scammers, so she followed their instructions. The overdraft was also applied for in-app and went through checks by Monzo. Reviewing the information we hold, I'm satisfied the correct procedural steps were completed for the borrowing.

Mrs I's testimony is that she recalls the loan being in her account prior to recording the ID video – and this is why she was convinced by the scammers that her account had been accessed. I'm unable to explain how the scammers were able to make her see what she recalls. But Monzo's records show the loan was completed in Mrs I's app, on her device and using her security information – which she says she hadn't shared with the scammers, so I can't see how they'd have done this. And it shows the loan wasn't approved until after Mrs I sent the ID video. So the funds weren't in her account to spend/send on until she'd completed this step.

Mrs I has argued that the IP address used for the loan is unrelated to her work (where she was at the time of the scam) and says it relates to a location some distance away. But as I already set out to her, her Monzo banking app was logged in more than 30 times from IP addresses starting with the same digits as the one used for the loan between April 2023 and the scam. And IP addresses following that same pattern of digits are also used after the scam.

While I accept Mrs I says she has no association with this network, we can see her device was on it both months before and in the month after the scam, when no known scam activity occurred at these times. And it would be very unusual for scammers to have access to her device and account and do nothing with it for months, or to not access the remaining sum after the scam, if they could do so. So, while I appreciate her information doesn't indicate the IP address was in her office, from the account usage we have, I am persuaded it relates to a network Mrs I genuinely used and continued to use after the scam.

Considering this and the fact Mrs I has been honest about then making the payments that spent most of the loan, I can't fairly say Monzo can't hold her liable for it. It was her app that applied for the loan, with her security information and her genuine video that meant it was approved. And Mrs I was the one that approved the payments and moved the funds on. I fully accept that all of this took place due a scam. But I am placing more weight on the system records we hold and what we know of Monzo's loan process. And I haven't seen anything that supports the overdraft was applied for by anyone else either. So technically Monzo is able to hold her liable for both the loan and the overdraft.

I have then considered whether Monzo ought to have intervened when the payments that spent the loan were made – and if it had done so, whether this would've unravelled the scam.

I am in agreement with our Investigator that the volume of payments leaving the account in such a short space of time, combined with the outgoing value being reached that day, ought to have concerned Monzo. I consider it should have been concerned that Mrs I was at risk of financial harm. However, I also agree that it's not possible to safely say an intervention by Monzo would've unravelled this scam.

Considering I'm unable to align Mrs I's testimony with the technical data we hold, it's not clear exactly how she would've responded to any warnings Monzo gave. We still don't know exactly why she completed the steps she must've taken in app, so it's difficult to say she'd have responded positively and Monzo could've unravelled the scam with other in app information. And as I'm aware the scammers were on the phone to her; she was under a great deal of pressure; and fully believed she was speaking to Monzo; I think it's very likely

the scammers would've coached her with how to answer the questions asked to avoid alerting actual Monzo that there was not just a risk of, but financial harm actually occurring.

I've also considered if Monzo could've done more to recover Mrs I's funds after she'd reported the scam. But the majority of the payments went to Mrs I's own account and were lost to the scam from there. And the other payments were card payments, so the appropriate recovery method would be a chargeback claim. But I'm not persuaded Mrs I held what needed to successfully start a claim. And in any event, it's very likely the goods/services were provided, just for the benefit of the scammer, not Mrs I.

Monzo has awarded Mrs I £100 for the customer service it provided, as there were delays in it looking into her fraud claim. Considering the level of delay and the impact it had here – the case was not eligible for this scheme in any event – and the overall service seen, I think £100 is a fair sum and I'm not directing Monzo to award anything more. I understand this sum has already been paid.

However, Monzo accepts Mrs I hasn't gained from the loan or the overdraft and only has these debts due to a scam. I explained to Monzo that I thought it could've proactively sought to cancel the overdraft when Mrs I reported the scam – as she was saying she never agreed to this debt, and it hadn't been used at that time. And I asked it if it would make some adjustments to the loan debt, considering the situation here. Monzo agreed to make changes to both debts, which I consider a fair outcome.

Monzo has agreed to clear all interest and charges from the loan and to remove the overdraft from Mrs I's current account entirely. The principle we've agreed is that Monzo will treat the overdraft as if it was cancelled the day Mrs I reported the scam, so the day after the scam happened. This process will involve Monzo needing to credit Mrs I's account to clear the current debt showing. And Monzo will then only require Mrs I to pay back the principle sum of the loan – without any interest, fees or charges. As £3,500 of the loan remained after the scam, this should be factored into what is owed now and Monzo has agreed no interest or charges will be added to the loan debt going forward.

In relation to Mrs I's credit file, the loan information needs to be accurately reported, which includes that this debt has defaulted. But any negative information relating to the overdraft debt should be removed from Mrs I's credit file, in line with treating this as if it was cancelled within 48 hours and never used. Monzo will also need to arrange an affordable repayment plan with Mrs I for the remaining loan sum.

Putting things right

Monzo Bank Ltd needs to:

- a. Rework Mrs I's current account so it looks as it would if the overdraft had been cancelled the day Mrs I reported the scam and was never used. This will include writing off the current debt owed and any interest and/or charges added due to the overdraft being used by Monzo to repay the loan (and then not being repaid by Mrs I)

Monzo will also need to amend Mrs I's credit file to reflect the above.

- b. In relation to the loan account, as agreed with Monzo, Mrs I only needs to repay the principal sum of £23,500. So it needs to rework this account to remove any interest and charges added from the start. And none should be added going forwards.

I understand Monzo used Mrs I's overdraft to honour the loan repayments. As this could not have happened without the overdraft, as per the above, it needs to amend

the loan balance to reflect that these repayments would not have been made.

It should rework the account so it looks as if Mrs I hadn't made any repayments to the loan, excluding the £3,500 that remained from this borrowing – which I expect Monzo to have used through its right of set off (and I understand Mrs I wanted Monzo to take, in any event.)

My final decision

For the reasons set out above, I partially uphold Mrs I's complaint and direct Monzo Bank Ltd to settle the case in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs I to accept or reject my decision before 18 June 2025.

Amy Osborne
Ombudsman