

The complaint

Miss L complains that Monzo Bank Ltd won't refund money she lost when she was a victim of two scams.

What happened

The background to this complaint is well known to both parties and so I'll only refer to some key events here.

In 2021 Miss L saw an advert online for an investment firm that I'll refer to as 'E'. Interested in the opportunity, she followed the advert link and was directed to E's website – whereby she opened a trading account with the minimum £250 required. Miss L went on to make a further eight debit card payments to E that brought her total investment up to nearly £25,000. Miss L has explained that the level of risk increased to the point whereby, when the markets dipped, she was urged by E to add more capital until it was eventually all drained.

In July 2024 Miss L received a telephone call from a firm I'll refer to as 'S', offering her the opportunity to participate in a class action lawsuit against the former directors of E. Miss L was told by S that E had been fraudulent, as all investors had lost their capital, and were by now being investigated in another country. S spoke with Miss L regularly and she was guided to various websites to prove their legitimacy. Miss L was told that to benefit from the class action she was legally required to provide a margin equity security of 50%. And in August 2024 Miss L made three international payments - £12,329.31, £350 and £170.75. The transactions were sent in USD via a third-party money remittance provider that I'll refer to as 'W'. S eventually cut all contact with Miss L, which prompted her to seek advice from Action Fraud – whereby she was told that both E and S were fraudulent.

Miss L notified Monzo that she had fallen victim to two scams, but they didn't refund her. Monzo told Miss L they couldn't refund the payments to S, as they were made internationally. And that Miss L wouldn't refund the 2021 payments being disputed as it was a disagreement between her and E.

Our Investigator considered the matter and thought Miss L should be partially refunded. In short, he said:

- It's difficult to establish whether Miss L fell victim to a scam in 2021, as it appears that E operated legitimately for several years. But even if Monzo had contacted Miss L before processing the fourth payment she made – which amounted to £20,000 in six days – it likely wouldn't have identified E as a scam and prevented the payments being made. This is because E was authorised by CySEC (Cyprus Securities and Exchange Commission) and 'passported' into the UK to undertake regulated activities. And so, it would've appeared as a legitimate investment.
- The first payment to S, for £12,329.31, should've given Monzo cause for concern as it was out of character for Miss L. Monzo also had an opportunity to speak to Miss L before she made this payment when she contacted them to increase her overdraft. Miss L explained she was making the payment to a brokerage to receive a payout for a class action lawsuit, and that it would be refunded in full over the next week.

Despite this, Monzo didn't question her further and missed an opportunity to establish that Miss L was sending money to a company who claimed they could recover funds she'd lost to a scam in 2021.

- Had Monzo questioned Miss L about the £12,329.31 payment, they would've easily recognised she was being scammed – thereby preventing her loss.
- Miss L should take some responsibility for her loss too, with a 50% deduction fair here.
- Monzo couldn't have done anything to recover Miss L's funds.
- Monzo should refund 50% of the payments made to S and pay 8% simple interest.

Monzo disagreed. In short, they've said:

- The £12,329.31 payment to S was an international payment made via W, which limits the level of information known about the recipient account or its associated risks.
- Although the value of the payment was substantial, this alone is not a reliable indicator of risk. And they weren't privy to specific payment details at the point Miss L contacted them, as she reached out to request an overdraft increase.
- Miss L told them that the funds were *"to provide a supplement margin requirement for a brokerage so I can receive a payout for a class action I'm involved with"*. While this may now appear to point towards a recovery scam, they don't believe it would have been immediately obvious at the time.
- The language used was highly technical and wouldn't clearly or obviously suggest scam activity. Nor would it have been reasonable to expect their customer support staff to identify it as such.
- They weren't aware of any prior scams at the point of the 2024 payments to S. As such, there was no contextual history on Miss L's profile to suggest heightened vulnerability or prior fraud.
- It wouldn't be reasonable, or proportionate, to expect their team to predict that this payment request was linked to a recovery scam.

Our Investigator considered Monzo's response, but his position remained the same. He reiterated that the £12,329.31 payment to S was out of character for Miss L based on her usual account expenditure. And that Monzo should've been familiar with recovery scams in 2024. So, the explanation Miss L gave for the overdraft increase should've given Monzo reason to enquire further about the purpose of the payment. He therefore considered Monzo missed two opportunities to prevent Miss L's loss to S.

Monzo remained in disagreement with our Investigator, and so the matter has been passed to me to decide.

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.

I'm sorry Miss L has suffered a significant loss to E and S, and I don't underestimate the impact this has had on her. Having carefully considered everything, I've reached the same outcome as our Investigator and for similar reasons. I'll explain why.

In broad terms, the starting position in law is that a bank is expected to process payments that their customer authorises them to make. It isn't disputed that Miss L knowingly made the payments from her Monzo account. And so, I'm satisfied she authorised them. Therefore, under the Payment Services Regulations 2017 and the terms of her account, Monzo are expected to process Miss L's payments, and she is presumed liable for the loss in the first instance.

However, taking into account the 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 to help protect customers from the possibility of financial harm from fraud.

My first consideration is whether Miss L was the victim of an investment scam in 2021. This is a difficult point to conclude conclusively. But for the purpose of this decision, I don't need to make a finding on that point. Instead, I'll focus on whether action by Monzo could've prevented Miss L's claimed loss relating to the payments she made to E.

Here, I think it would've been reasonable for Monzo to have carried out additional checks before processing some of the payments to E – as, based on their value and frequency, they were out of character for Miss L compared to her typical account spend. But even if Monzo had contacted Miss L to better understand the surrounding circumstances of the payments to E, I don't think it would've uncovered Miss L was being scammed and prevented the payments being made. This is because E was authorised by CySEC and passported into the UK to undertake regulated activities. There also weren't any warnings published by the FCA or other relevant bodies at the time of the payments about E. Nor have I found, from an historical internet search, anything to indicate that E was being reported as a scam either.

It follows that I cannot reasonably conclude any additional checks undertaken by Monzo would've led to E being seen as anything other than a legitimate – albeit high risk – investment firm. Monzo wasn't however required to protect Miss L from the risk of bad investment choices. As such, I don't think Monzo is responsible for any loss arising from the payments to E being made.

I've considered the payments Miss L made to S in 2024. And Miss L informed Monzo of her intention of making the £12,329.31 payment when she requested an increase to her overdraft facility. And where there is an interaction between a customer and a bank before a high value payment is processed, as there was here, I'd expect the bank to take reasonable steps to understand the circumstances of that payment.

I've considered Monzo's point that it isn't reasonable to have expected customer support staff to have identified potential scam activity from Miss L's explanation of the purpose of the payment when requesting an increased overdraft – particularly due to the highly technical language used. While I appreciate frontline staff may not be experts in investment or legal matters, they ought to be familiar with, and on the lookout for, potential risks of fraud and scams to customers. And here, while the language may have sounded complex or technical in nature, the underlying message Miss L gave for the purpose of the payment was relatively simple – that being she was making an international payment for over £12,000 to a third party on the understanding the funds would be returned in about a week. This is highly suspicious. And as our Investigator has pointed out, Monzo should be familiar with the risk of recovery scams. So, I think Monzo ought to have identified this risk and questioned Miss L further about the payment at that time.

In any event, even if I were to conclude otherwise on that point, I still consider there was enough reason for Monzo to suspect Miss L might be at risk of financial harm from fraud when she processed the £12,329.31 payment. This is because the payment was much greater than Miss L typically spent on her account – with Monzo themselves having described it as 'substantial'. It was also an international payment, which can present an increased risk due to the difficulty in any attempt to recover funds – as happened here, and which Monzo should be familiar with. Furthermore, Monzo's argument that they had very little information regarding the recipient of the funds ought to have given them greater reason to contact Miss L to better understand the surrounding circumstances of the payment before processing it. This uncertainty and the risks associated with the value and international

nature of the payment should've alerted Monzo to the possibility Miss L might be falling victim to fraud or a scam.

I therefore consider Monzo ought to have questioned Miss L about the £12,329.31 payment before processing it. Given Miss L's openness at the time of requesting an increased overdraft, I've no reason to think she wouldn't have been open and honest with Monzo. And so, I consider appropriate questioning from Monzo would've brought to their attention that Miss L was making the payment to a firm – that she'd received unsolicited contact from – to recover funds that she'd lost to an investment in 2021 (with S informing her that E had been fraudulent). And that she was required to pay 50% of the funds expected to be recovered in advance. Given Monzo's awareness of recovery scams, they ought to have identified the red flags in Miss L's situation. Accordingly, Monzo would've likely uncovered the scam and warned Miss L against making the payment. I consider Miss L would've most likely been receptive to such a warning and not made the payment (or those that followed). I therefore consider Monzo could've prevented Miss L's loss.

Beyond Monzo's requirement to protect customers from the possibility of financial harm from fraud, there's also an expectation that customers protect themselves too. I've therefore thought about whether Miss L did enough to protect herself – and, if she didn't, whether this contributed to her loss. I appreciate Miss L unknowingly fell victim to what appears to be a sophisticated scam and believed what S was telling her. But when considering Miss L's role in what happened, I think she ought to have had reason to question the legitimacy of the opportunity S was offering. Miss L was required to send 50% of the recoverable funds internationally following receiving unsolicited contact. Having to pay such a high fee, and in a currency different to the country E was based, ought to have been seen as highly irregular. Because of this, I think it would've been reasonable for Miss L to have sought further advice before proceeding. If she had done so, I think it's most likely she would've become aware that S was a scam. Considering this, I therefore think it would be fair to hold Miss L equally responsible for the loss she suffered. It follows that I think Monzo can make a 50% reduction in the award based on contributory negligence in the circumstances of this complaint.

I've also considered whether, on being alerted to the scam, Monzo could reasonably have done anything to recover Miss L's losses, but I don't think they could. The only option of recovery for the debit card payments to E were via chargeback, but I don't think there was any reasonable prospect of success given the delay in the disputed payments being reported to Monzo. And in respect of the fund transfers to S, Monzo attempted recovery of these funds, but none remained.

It follows that, to put things right, Monzo should refund 50% of the payments Miss L made to S (totalling £12,850.06). And to recognise Miss L's loss of use of money, Monzo should also pay 8% simple interest – calculated from the date of each payment to the date of settlement.

My final decision

My final decision is that I uphold this complaint in part. I direct Monzo Bank Ltd to:

- Refund £12,850.06.
- Pay 8% simple interest, per year, 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 Miss L to accept or reject my decision before 6 November 2025.

Daniel O'Dell
Ombudsman