DRN-5598448

The complaint

Mr I complains that Monzo Bank Ltd won't return the money he says he lost as the result of a scam.

Mr I has been represented in this complaint by a claims management company.

What happened

The background to this complaint is well known to both parties, so I'll simply summarise it here.

In 2020 Mr I was told about an investment opportunity by an online acquaintance. He was told he could make daily returns of 1.5% of his investment. He looked at the investment company's website and carried out an internet search. He was satisfied that the website looked professional and he decided to invest.

Mr I says he didn't have any direct contact with anyone at the investment company. He's told us that he set up his cryptocurrency wallets himself, carried out the investments himself and controlled his cryptocurrency accounts himself.

Over the course of more than eight months, from December 2020 to August 2021 Mr I made 52 payments, ranging from £1 to £5,000 to six cryptocurrency providers. By the time he made the final payment in August 2021 he'd received around 20 payments back from his investments, ranging from £1 to £2,066.62.

Mr I has explained that following a sudden drop in the price of one of the cryptocurrencies, he decided to withdraw his money. But he then discovered that he could no longer access the investment company's website or portal, and was unable to access his money. And at that point he says he realised that the investment company had been a scam.

Mr I's representatives believe that Monzo should have intervened when Mr I made a payment for £3,240 in late January 2021. They say, in summary, that if Monzo had intervened appropriately and asked Mr I open, probing questions about the payment, it would have identified that Mr I had fallen victim to a scam, and he wouldn't have made any further payments.

One of our investigators considered the complaint, but didn't think it should be upheld. In brief, she thought that the warnings that Monzo had given Mr I when he made the payments were proportionate to the risk, and that even if Monzo had sent a general scam warning when Mr I made the largest payment, it would have been unlikely to make a difference.

Mr I disagreed with the investigator's view. So the complaint's been passed to me.

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 sorry to disappoint Mr I, but I've reached the same conclusion as the investigator, and for broadly the same reasons.

I'd like to say right at the start that I was sorry to hear that Mr I lost a significant amount of money. I don't underestimate the impact this is likely to have had on him. But my role here is to decide whether it's fair to hold Monzo responsible for his loss.

In broad terms, the starting position in law is that Monzo is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the terms and conditions of the customer's account. It's not disputed that Mr I made and authorised the payments, although I accept that when he did so, he didn't think his money was going to a scam.

The payments were to accounts in Mr I's own name, so weren't covered by the Lending Standards Board's Contingent Reimbursement Model ("CRM") Code. However, there are circumstances, irrespective of the payment channel used, where it might have been appropriate for Monzo to take additional steps, make additional checks, or provide additional warnings before processing a payment, to help protect its customers from the possibility of financial harm from fraud.

Mr I's loss didn't arise directly from the payments he made from his Monzo account. The payments were for the purchase of genuine cryptocurrency. The loss occurred afterwards, when Mr I says he lost access to the investment company's platform and so was unable to access his money.

Buying cryptocurrency is a legitimate activity and the payments were made to genuine cryptocurrency exchanges, to accounts in Mr I's own name. But even though the loss happened from Mr I's cryptocurrency account, rather than directly from his account with Monzo, it would have been fair and reasonable to expect Monzo to be alert to fraud and scams. So I need to consider whether it acted fairly and reasonably in its dealings with Mr I when he authorised the payments, or whether it could and should have done more before processing them.

Scams involving cryptocurrency have become increasingly prevalent and well known to banks, and I think that by 2021 Monzo ought to have been well aware of how scams like this work. But I think it was reasonable for Monzo to take into account a range of factors when deciding whether to intervene. I'm mindful that banks can't reasonably be involved in every transaction. There's a balance to be struck between identifying payments that could potentially be fraudulent, and minimising disruption to legitimate payments.

I acknowledge that £3,240 isn't a small sum. But I don't consider that the payment was so large that Monzo ought to have been concerned about it, based on its size alone. And while it would have been apparent to Monzo that the payment was going to a cryptocurrency exchange, which might be considered higher risk than some payments, I don't think it follows that it would be reasonable to say Monzo should have assumed automatically that it was suspicious.

Mr I had only just opened his Monzo account when he made the first payment to the scam, so Monzo wouldn't have had much to go on when considering what sort of account activity was typical for Mr I, and what should be regarded as unusual, uncharacteristic or suspicious. But I've thought about whether there was anything that ought to have prompted Monzo to be concerned about the payment.

By the time Mr I made the £3,240 payment he'd been making payments to cryptocurrency providers from his Monzo account for seven weeks. Ten days before he made the £3,240 payment, he'd transferred £2,600 to a different cryptocurrency provider, from which he'd received payments back on several occasions. The payment for £3,240 was the fourth payment Mr I had made to the particular cryptocurrency provider, and followed payments of £1 and £10 earlier that day and a payment of £76 six days before.

So based on the limited account history available to it, I think it would have looked to Monzo as if Mr I was investing in cryptocurrency and making returns. And while I acknowledge it was the third payment Mr I had made to that particular crypto provider that day, it only took the daily total to £3,251- again, not an amount that I think ought to have caused Monzo to be concerned, based on size alone. And I don't think there was any other reason for it to be concerned that Mr I had fallen victim to a scam. So I don't think Monzo would have been unreasonable if it had processed the payment without providing Mr I with a scam warning.

As it was, when Mr I made the £3,240 payment, Monzo's records show that it displayed a warning that the payment might be to a scam and that Mr I might not get his money back if so. Mr I opted to continue with the payment.

The payments Mr I made to the investment from his Monzo account were spread over eight months and fluctuated in size. Monzo's provided evidence that it displayed a very general scam warning when Mr I made some of the payments, particularly when they were identified as being to a new payee. There were occasions on which Mr I made more than one payment on the same day, but those were always relatively low value, and neither the pattern of payments nor the total on any given day were ever such that I think they ought to have prompted Monzo to intervene further than it did before processing them.

The only payment larger than the £3,240 payment was one for £5,000, made in mid-May 2021. By that time, Mr I had made numerous payments to the cryptocurrency provider in question over the course of four months, including payments for £1,000 and £1,998. So I think it's fair to say that that cryptocurrency provider was an established payee. He'd also received several payments back from it, including one of more than £2,000.

Monzo's computer records show that when Mr I made the £5,000 payment it showed an on-screen message that it hadn't been able to carry out a "confirmation of payee" check, as the recipient's bank wasn't supported. But it didn't provide any scam warning.

I think that even though Mr I had, by this stage, a track record of investing in cryptocurrency and the payment was to an established payee, given the size of the payment, Monzo should have provided an on-screen warning covering general scam risks. But I don't think it would have been reasonable to expect it to provide Mr I with a tailored warning about investment scams.

However, even if Monzo had provided an on-screen warning broadly covering general scam risks, I'm not persuaded that it would have resonated with Mr I. He was investing in cryptocurrency himself, using cryptocurrency accounts that he'd set up. He'd had no direct contact with anyone from the investment company and hadn't installed any remote access software. He believed he was seeing his investments grow and had received money back from his cryptocurrency accounts. In short, he had no reason to suspect, at that point, that he'd one day find that he was unable to access his accounts, or that the investment company was anything other than genuine. And I don't think that a general scam warning would have made him decide not to go ahead with the payment. So I don't think that Mr I lost out as a result of the fact that Monzo didn't provide any scam warning when he made the £5,000 payment.

I acknowledge that Mr I’s representatives have referred to other decisions in which an ombudsman has decided that Monzo ought to have intervened. But as Mr I’s representatives will know, we decide each case on its own facts, and the question of whether a financial business ought to have intervened in any given case will depend on a range of factors. And for the reasons I’ve set out, I don’t consider that I can fairly say that proportionate intervention from Monzo would likely have prevented Mr I’s loss here.

Recovery of Mr I’s money

Most of the payments Mr I’s complained about were made by faster payment from his account directly to buy genuine cryptocurrency, and that’s what Mr I received in return - albeit he’s told us he eventually lost access to his cryptocurrency accounts. So I don’t think Monzo could reasonably have been expected to recover the money Mr I sent by faster payment.

A few payments were made using his Mastercard debit card. Mastercard runs a scheme called chargeback, which deals with disputes between card issuers (such as Monzo) and merchants (the cryptocurrency exchanges in this case).

Chargeback isn’t an automatic right, and banks don’t have to raise a claim where there isn’t a reasonable prospect of success. In this case I don’t consider that it was unreasonable of Monzo not to raise a chargeback claim. This, again, is because Mr I’s money was transferred to a cryptocurrency account in his own name, and was used to buy genuine cryptocurrency. So he effectively got what he paid for and a chargeback claim would have been unlikely to succeed.

I realise that my decision will come as a disappointment to Mr I, and I’m sorry that he lost a considerable amount of money. But for the reason’s I’ve set out, I don’t find that I can reasonably hold Monzo, which had no involvement in the scam itself, responsible for his loss.

My final decision

My final decision is that I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr I to accept or reject my decision before 10 September 2025.
Juliet Collins
Ombudsman