

The complaint

Mr M complains that Monzo Bank Ltd won't refund him the interest he's paid, and waive further interest, on a loan he took out with it as part of an Authorised Push Payment ("APP") scam.

What happened

The background to this complaint is well known to all parties, so I won't repeat it all in detail here. But in summary, I understand it to be as follows.

In February 2024, Mr M was a victim of an impersonation / safe account scam. He was contacted by somebody claiming to be from Monzo's cybercrime team. He was duped into believing his money was at risk and that he needed to move his funds in order to keep them safe. This led to Mr M making four payments from his Monzo account, two of which were sent to an account in his name that he held with another banking provider, with the other two payments being made to an international money transfer service. All the funds subsequently ended up in accounts the fraudsters controlled.

To facilitate the payments Mr M used savings and money he held in his Monzo account. But alongside this, the fraudsters also persuaded him that he needed to take a loan out with Monzo, which he did for £10,000.

Realising he'd been scammed, Mr M raised the matter with Monzo. Monzo looked into things and agreed to refund Mr M the two payments that he'd made through the money transfer service. But it didn't think it was liable for the loss Mr M had suffered in respect of the money he had sent to another account in his own name. Monzo also agreed to pay Mr M £125 in recognition of the time it took to investigate his claim, which it said exceeded its internal timeframes.

As well as complaining to Monzo, Mr M also raised a fraud claim with his other banking provider. It agreed to refund him in full for the two payments it had sent to the fraudster through them. So, between Monzo and Mr M's other bank he received a full refund of the money he lost to the fraudsters.

However, Mr M remained unhappy as he doesn't think he should have to pay interest on the loan he took out. He feels that Monzo are profiteering from scam victims and wants to have the loan rolled back and for his credit score to be returned to its original value. Monzo also considered this part of Mr M's claim, but it didn't agree it should refund the interest, given it was Mr M who had accepted the loan agreement.

Unhappy with Monzo's response, Mr M brought his complaint to this service. One of our Investigator's looked into things and didn't think the complaint should be upheld. In summary, she said Mr M had transferred the refunds he'd received to his savings account and continued to use the money. She thought it was reasonable to have expected Mr M to have used the refunds from his banks to pay back the principal loan amount. So, where Mr M hadn't done this, it was her view that he had technically used the loan money, so she didn't think it would be fair to ask Monzo for the interest to be waived.

Mr M didn't agree with our Investigator's view. As agreement couldn't be reached 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 thought carefully about Monzo's actions, I'm not upholding Mr M's complaint. I do appreciate how disappointing this will be for him. Mr M was a victim of a sophisticated scam and lost a significant sum, which I'm pleased to see he was able to recover from his banks.

While there may be situations where I think a bank ought to waive interest or to re-work a loan, I don't think in the individual circumstances of this case, I can reasonably ask Monzo to do this. It isn't in dispute that Mr M took the loan to facilitate some of the payments that he sent to the fraudsters. However, I think the evidence supports that on receiving refunds from his banks, Mr M didn't use the funds to clear all/or part of the balance of the loan, which was an option that was open to him, and which would have decreased his liability.

I also note that Monzo did advise Mr M, when it refunded him, that it was giving him back the money and that it was his to keep, but that he would still be responsible for the loan. It added that interest and charges would still be payable, but if he preferred, he could pay the refund back to it and close out the loan. So, I'm persuaded Mr M was aware that was an option open to him – but rather he made use of the funds in another way, after they had been returned to him.

Overall, for reasons explained and after weighing everything up, I don't think it would be a fair or reasonable outcome, in the individual circumstances of this complaint, for me to ask Monzo to waive the interest on the loan that was taken, or to request that any amendments be made to Mr M's credit file in respect of the loan.

It follows that Mr M will still be liable for maintaining payments on any outstanding balance. Should Mr M have difficulties with this, we would expect Monzo to work with him in regard to an affordable repayment plan and we would expect Monzo to treat Mr M positively and sympathetically in regard to the repayment of the remaining balance.

My final decision

For the reasons I've explained, I don't uphold this complaint.]

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 25 November 2025.

Stephen Wise
Ombudsman