

The complaint

Mr U is unhappy that Monzo Bank Ltd will not refund the money he lost as the result of a recovery scam.

What happened

As both parties are familiar with the details of the scam, I won't repeat them in full here. In summary, Mr U made a payment for £446.05 with his Monzo flex credit card on 17 October 2023. This was on the understanding the recipient was going to recover funds he had lost through a different scam. He made the payment to the scammer via a platform I will refer to as 'P'.

Mr U reported the scam to Monzo on 17 August 2024. He says it did not then do enough to investigate the scam before rejecting his claim. And when he then complained its final response letter was generic and lazy. He asks for his money back under Section 75 of the Consumer Credit Act.

Monzo says Mr U didn't adequately check who and what he was paying for. It is unable to assume liability for these sorts of scams. It considered all ways to recover the money sent from his account, but ultimately cannot be held liable for the loss.

Our investigator did not uphold Mr U's complaint. They said the payment was not suspicious so need not to have triggered additional checks. They explained why the money could not be recovered under the chargeback scheme or Section 75. They found no evidence Monzo had mishandled Mr U's fraud claim.

Mr U disagreed with this assessment and asked for an ombudsman's review. He said it is not right that everyone agrees he has been the victim of fraud, yet he has to pay the consequences. He remains dissatisfied with the generic final response letter from Monzo and wants to know how we see that to be acceptable service.

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've decided not to uphold this complaint. I know that this will be very disappointing for Mr U, and I can understand that the whole episode has been deeply distressing for him given it came on the back of another scam. Mr U has asked why he has to pay the consequence if we agree he is the victim – but this service can only look at Monzo's role in this incident, and here I do not find the acts of the bank are the cause of the loss.

It isn't in dispute that Mr U has been the victim of a recovery scam and has lost money as a result – but I need to decide if the loss he suffered could have been prevented by Monzo – and I'm afraid that I don't think that Monzo could have prevented what happened here. I'll explain why.

In line with the Payment Services Regulations 2017 (PSRs), Mr U isn't liable for payments he didn't authorise, unless he failed with gross negligence or intent to comply with the terms of the account or keep his personalised security details safe. But there is no dispute here that Mr U authorised the payment.

While I understand that Mr U was tricked by the scammer, this doesn't change the fact that he authorised the payment in the first instance, and businesses are generally expected to act on their customers' instructions.

That said, there are some circumstances where a business should have taken proactive steps to identify and help prevent transactions – particularly unusual or uncharacteristic transactions – that could involve fraud or be the result of a scam. However, there is a balance to be struck: banks have obligations to be alert to fraud and scams and to act in their customers' best interests, but they can't reasonably be involved in every transaction.

Taking into account the law, regulatory rules and guidance, relevant codes of practice and what I consider having been good industry practice at the time, I consider Monzo should have fairly and reasonably:

- been monitoring accounts – including payments made and received – to counter various risks including anti-money laundering, countering the financing of terrorism and preventing fraud and scams;
- had systems in place to look out for unusual transactions or other signs that might indicate its customers were at risk of fraud (amongst other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which banks are generally more familiar with than the average customer; and
- in some circumstances, irrespective of the payment channel used, taken additional steps, or made additional checks, before processing a payment, or in some cases declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

Monzo didn't contact Mr U about the payment that he made – but I don't think that it needed to. The payment was not unusual for his account, there were several larger debits in the months preceding. Nor was the recipient identifiably high risk. So I do not find Monzo at fault for not intervening.

I have then considered if Monzo did what we would expect to try to recover the money once Mr Y reported the scam. As the payment was made by credit card it had two options explore.

Chargeback

A chargeback isn't a legal right or a guaranteed way of getting a refund. But it can offer a way to informally resolve disputes between merchants and cardholders. The rules that apply are set by the card scheme (here Mastercard), and there are limited grounds on which a chargeback can succeed.

Banks must comply with those rules before attempting a chargeback on behalf of their customer. Our role in such cases is not to second-guess the card scheme rules, but to determine whether the regulated card issuer (in this case Monzo) acted fairly and reasonably when presenting - or choosing not to present - a chargeback on behalf of its cardholder (in this case Mr U).

In this instance Mr U did not report the dispute until 17 August 2024. So not within the 120-

day deadline for a chargeback. I therefore don't think that Monzo did anything wrong in not making a claim. It would have been deemed out of time and therefore unsuccessful.

Section 75

Under section 75 of the Consumer Credit Act 1974, the borrower under a credit agreement has an equal right to claim against the credit provider if there's either a breach of contract or misrepresentation by the supplier of goods or services. Section 75 only applies when there is a direct relationship between the debtor, creditor and the supplier (in this case, Mr U, Monzo and the scammer respectively).

From what I've seen, I'm not satisfied that a valid debtor-creditor-supplier relationship exists in this case. I say this because Mr U's payment was not made directly to the scammer, but to platform 'P'. Consequently, this breaks the debtor-creditor-supplier chain. 'P' hasn't breached its contract with Mr U or misrepresented the service it provides. That was what the scammer did.

I am very sorry for the situation Mr U has found himself in. He has been the victim of a cruel scam and has lost money as a result. But this loss was caused by the scammer and not Monzo, so I cannot fairly hold it liable for the loss.

Mr U is also unhappy with how Monzo handled his complaint, saying the final response letter was too generic. Whilst I note his point that an explanation of why Monzo couldn't recover the money through a chargeback claim or under Section 75 would have been helpful, this issue is not something I can look at. There is a difference between a complaint about a financial service and a complaint about how a firm has handled a complaint. I can only look at the former. Mr U's concerns about how Monzo managed and responded to his complaint is not a complaint about its provision of or failure to provide a financial service – it's distinctly about complaint handling. And under our rules I cannot consider complaint handling.

My final decision

I am not upholding Mr U's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 29 October 2025.

Rebecca Connelley
Ombudsman