DRN-5730790

The complaint

Mr C complains that Monzo Bank Ltd ("Monzo") won't refund payments he made as part of a scam.

What happened

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

In January 2024, Mr C received a text message claiming to be from a delivery company. The message explained that the delivery date of a parcel needed to be rearranged and contained a link to the company's website. Mr C followed the link which then requested a small fee in order to facilitate the new delivery date.

The following day, Mr C received a call from someone claiming to be from the Monzo fraud team. This person explained that there had been a suspicious transaction on his account for £10.99 at a company based in Nottingham. The caller claimed to know that Mr C didn't live in Nottingham and so confirmed they thought it was unlikely he carried out this transaction.

Mr C was asked to decline the payment in his Monzo mobile app. Mr C confirmed that he'd authorised the £1.50 payment the previous day to the delivery company. The caller then explained that this payment was part of a scam, and this was how his account details had been compromised. They further explained that Mr C's account had been hacked, and he needed to remove all the funds from his Monzo account to another account. It was also explained that the unauthorised party had applied for an overdraft on the account, so Mr C needed to apply for an overdraft of the same amount to prevent these funds being withdrawn without his authority.

Under the direction of the caller, Mr C sent the full amount of the overdraft and his Monzo account balance to an account he held with another bank. These payments totalled £2,692.43.

Mr C was advised to delete his Monzo app and reinstall it, in order to see the new safe account the caller claimed to have set up for him. Mr C was given the sort code and account number for this new account and was advised to transfer his funds to this account. Mr C advised the caller that the funds had been transferred to the new account, but the caller then ended the call. Mr C logged into the Monzo app but couldn't see that a new account had been set up. It was then that Mr C realised he'd been the victim of a scam and contacted Monzo to make them aware of the situation.

Mr C raised a formal complaint with Monzo. He complained about their failure to prevent the scam from taking place as well as the poor service they provided following the scam.

In May 2024, Monzo responded to Mr C's complaint. They explained they weren't liable to refund Mr C's funds as the payments in question went to an account in his name before being sent to the scammers, therefore the loss didn't occur from his Monzo account. Monzo did accept they could've provided Mr C with better service when dealing with his scam claim and complaint and awarded him £100 for the poor service provided. Unhappy with this response, Mr C referred his complaint to our service.

An investigator looked into Mr C's complaint but didn't uphold it. The investigator felt that the payments weren't unusual or suspicious enough to have warranted intervention from Monzo at the time they were being made. The investigator also explained that they believed the £100 award already made by Monzo in recognition of their poor service was fair.

Mr C disagreed with the investigator's findings. In summary, Mr C still believed that the payments were unusual for his account and that the circumstances surrounding the payments were suspicious enough to have warranted intervention from Monzo prior to their release. As a result, Mr C felt that Monzo had failed to meet their regulatory obligations by not discussing the payments prior to their release, given how unusual the overall circumstances surrounding them was. Mr C also felt that the payment made in recognition of the poor service provided by Monzo was unfair.

As the complaint couldn't be resolved by the investigator it was passed to me for a decision.

Having reviewed the case, I reached a different answer to the investigator. So, I issued a provisional decision giving both parties a chance to provide any further evidence or arguments they wanted to be considered before I issued a final decision.

What I provisionally decided – and why

In my provisional decision I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr C has provided detailed submissions to our service in relation to this complaint. In keeping with our role as an informal dispute resolution service, I will focus here on the points I find to be material to the outcome of Mr C's complaint. This is not meant to be a discourtesy to Mr C, and I want to assure him I have considered everything he's submitted carefully.

Firstly, I'd like to say how sorry I am to see the impact this situation has had on Mr C. This was undoubtedly a cruel scam, and it has unquestionably had a large impact on him.
In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

In broad terms, the starting position at law is that a bank such as Monzo is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.

Here it's not in dispute that the payments were authorised, so the starting position is that Monzo isn't liable for the transactions.

There are, however, some situations where we believe that businesses, taking into account relevant rules, codes and best practice standards, shouldn't have taken their customer's authorisation instruction at 'face value' – or should have looked at the wider circumstances surrounding the transaction before making the payment.

Monzo also has a duty to exercise reasonable skill and care, pay due regard to the interest of its customers and to follow good industry practice to keep customer's accounts safe. This includes identifying vulnerable consumers who may be particularly susceptible to scams and looking out for payments which might indicate the consumer is at risk of financial harm.

Taking these things into account, I need to decide whether Monzo acted fairly and reasonably in its dealings with Mr C.

Monzo aren't a signatory of the Contingent Reimbursement Model Code (CRM Code) but have agreed to apply its provisions. The CRM Code requires firms to reimburse customers who have been the victims of APP scams in all but a limited number of circumstances.

The relevant part of the CRM Code definition of an APP scam requires that the payment was made to "*another person*". Importantly in this case, Mr C made the payments to an account in his own name which he had control of. Because of that, Mr C's payments do not meet the CRM Code's definition of an APP scam and are therefore not covered by the Code.

That said, I've gone on to consider whether there are any other reasons outside of the CRM Code for which Monzo should be held liable to reimburse Mr C's loss.

Having reviewed Mr C's account statements for around 6 months prior to the payments made as part of a scam, it's clear that the account is used for everyday spending and that the scam payments are higher than the typical usage of the account.

But, while the transactions are for amounts higher than the previous payments on the account, I don't think the payment values represent such a significant increase, in isolation, to have presented a clear sign to Monzo that Mr C may be at risk of fraud or financial harm.

Businesses have to find a balance between identifying potentially concerning payments and taking appropriate action, while ensuring minimal disruption to legitimate payments. I understand that the payments are of a significant amount to Mr C, but I don't think they were of such a value that they ought to have caused concern to Monzo.

I further believe that the payments weren't concerning to Monzo as they didn't involve a large series of payments made in quick succession or multiple payments to new payees – which are often features of scams.

I've also considered that the payments were going to an account in Mr C's own name. I'm satisfied that this factor significantly increased the genuine and legitimate appearance of the payments to Monzo.

The disputed payments utilise all the available funds within Mr C's account, including an overdraft which had been applied for shortly before the payments. I appreciate why Mr C feels that this should've been concerning to Monzo, but I don't agree. Furthermore, overdrafts are often applied for and the funds used straight away, so I don't believe the speed in which the funds leave Mr C's account ought to have raised any suspicion that the overdraft was applied for under false pretences.

Mr C states that his application for an overdraft shortly after the cancelled transaction should've been treated as suspicious by Monzo. But, as stated above, I don't think that the overdraft application should've been treated as suspicious or linked to any potential fraudulent activity on Mr C's account.

The payments occurred after a transaction of £10.99 had been cancelled by Mr C within Monzo's app. But the information available doesn't show the reason the payment was cancelled. There could be numerous reasons that a transaction is cancelled prior to its completion – not all of these would be because the payment was fraudulent. So, I don't think a payment being cancelled is concerning enough in and of itself to say that Monzo ought to have stepped in. Furthermore, I don't think the cancelled payment, when considered alongside the other information available, should've concerned Monzo that Mr C was at risk of fraud or financial harm.

Taking everything into account, I'm not satisfied Monzo should've identified Mr C was falling victim to a scam at the time of the payments. Because of this I can't say that Monzo missed an opportunity to prevent Mr C's loss prior to releasing the payments.

Lastly, I've considered whether Monzo did what they should've when they were made aware that Mr C had fallen victim to a scam. I can see that Monzo reached out to the beneficiary bank in a timely manner once they were made aware of the scam but, unfortunately, no funds remained in the account. Because of this, I'm satisfied Monzo did all they could to recover Mr C's funds.

Mr C complains that the customer service provided by Monzo added to the distress this situation had on him. As part of their response to Mr C's complaint, Monzo acknowledged that they should've provided better service to Mr C and paid, in total, £100 in recognition of their poor handling of his scam claim and subsequent complaint. I do appreciate that Monzo's actions would've added to the upset and worry Mr C would've been going through at the time, but it's important for me to separate the distress caused by the scammers and Monzo.

That said, it's clear that Monzo took longer than they should to review the circumstances of Mr C's fraud claim and provide a full response. Mr C originally made Monzo aware of the situation on 11 January 2024 but Monzo failed to provide a full answer to the claim until 15 May 2024. This is longer than I would expect of a bank and it's clear, having read the messages between the two parties, that Mr C had supplied Monzo with the requested information on numerous occasions and had made it clear to them that this situation was having a large impact on him. Because of this, I believe Monzo should increase their offer of compensation to £300.

Taking everything into account, I'm not satisfied that Monzo should have prevented the payments at the time they were being made or that they could've recovered Mr C's funds after the payments were made. But I believe that Monzo should pay £300 (including the £100 already paid) in recognition of the poor service provided to Mr C.

Putting things right

To put things right Monzo Bank Ltd should pay Mr C £200 compensation (which is in addition to the £100 they've already paid) in recognition of the poor service provided to him.

My provisional decision

My provisional decision was that I intended to uphold this complaint, in part, against Monzo Bank Ltd.

Responses to my provisional decision

Mr C responded to say he didn't accept my provisional decision. In summary, Mr C felt that the application and use of an overdraft shortly after a declined payment ought to have been concerning enough for Monzo to have intervened. Mr C also felt that the overall circumstances of the activity on his account were suspicious enough to have warranted intervention by Monzo and that they missed an opportunity to prevent the scam.

Monzo responded to say they agreed with my provisional decision. As responses have been received by both parties, I've proceeded with issuing 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 considered the additional testimony and evidence provided by Mr C, I see no reason to reach a different answer than I did in my provisional decision.

Overall, the complaint points put forward by Mr C don't persuade me to reach a different answer. I'm not persuaded that any of the individual activities that took place at the time of the scam ought to have alerted Monzo to the possibility that Mr C was falling victim to a scam. Further to this, and importantly, I'm not persuaded that the overall circumstances and activities that took place at the time of the scam ought to have alerted Monzo to the possibility that Mr C was falling victim to a scam.

I believe that Monzo should pay £300 (including the £100 already paid) in recognition of the poor service provided to Mr C.

Putting things right

To put things right Monzo Bank Ltd should pay Mr C £200 compensation (which is in addition to the £100 they've already paid) in recognition of the poor service provided to him.

My final decision

My final decision is that I uphold this complaint, in part, against Monzo Bank Ltd.

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

Billy Wyatt
Ombudsman