

The complaint

Mr S is being represented by solicitors. He's complaining about Monzo Bank Ltd because it declined to refund money he lost as a result of fraud.

What happened

Sadly, Mr S fell victim to a cruel investment scam. He was added to an online chat with other 'investors' who introduced him to the trading scam. He says he followed the chats for a while and saw the profits reportedly being made before he began to place his own trades.

In March and April 2024, Mr S made the following payments to two known cryptocurrency exchanges that were used to fund the scam:

No.	Date	Amount £	Type
1	15 Mar	832.26	Card
2	21 Mar	2,000	Transfer
3	25 Mar	2,000	Transfer
4	5 Apr	4,100	Transfer
5	9 Apr	2,500	Transfer
6	9 Apr	1,700	Transfer

Mr S tried to make payment 1 a number of times in quick succession but it was repeatedly declined by the cryptocurrency exchange. He says he realised it was a scam when he paid fees to withdraw his money but still didn't receive anything back.

My provisional decision

After the complaint was referred to me, I issued my provisional decision setting out why I thought it should be partly upheld. My reasons were as follows:

There's no dispute that Mr S authorised these payments. In broad terms, the starting position at law is that a bank is expected to process payments a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of their account. In this context, 'authorised' essentially means the customer gave the business an instruction to make a payment from their account. In other words, they knew that money was leaving their account, irrespective of where that money actually went.

But, taking into account relevant law, regulators' rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider it fair and reasonable that Monzo should:

- have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams;*
- have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud. This is particularly so given the increase in sophisticated fraud and scams in recent years, which*

- firms are generally more familiar with than the average customer;*
- have acted to avoid causing foreseeable harm to customers, for example by maintaining adequate systems to detect and prevent scams and by ensuring all aspects of its products, including the contractual terms, enabled it to do so;*
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment;*
- have been mindful of – among other things – common scam scenarios, how fraudulent practices are evolving (including for example the common use of multi-stage fraud by scammers, including the use of payments to cryptocurrency accounts as a step to defraud consumers) and the different risks these can present to consumers, when deciding whether to intervene.*

In reaching this view, I've taken account of the Supreme Court's decision in Philipp v Barclays Bank UK PLC. In that case, the Supreme Court considered the nature and extent of the contractual duties owed by banks when making payments. Among other things, it said, in summary:

- The starting position is that it is an implied term of any current account contract that, where a customer has authorised and instructed a bank to make a payment, the bank must carry out the instruction promptly. It is not for the bank to concern itself with the wisdom or risk of its customer's payment decisions.*
- The express terms of the current account contract may modify or alter that position. For example, in Philipp, the contract permitted Barclays not to follow its customer's instructions where it reasonably believed the payment instruction was the result of APP fraud, but the court said having the right to decline to carry out an instruction was not the same as being under a duty to do so.*

But the requirement to carry out a transfer instruction promptly doesn't mean this has to be done immediately or that a card payment can't be declined where a bank suspects the customer is at risk of harm from fraud.

Monzo may not have been required or obliged under the terms of its contract with its customer to carry out fraud checks. But, taking into account longstanding regulatory expectations and requirements and what I consider to have been good practice at the time, I'm satisfied that it should fairly and reasonably have been on the look-out for the possibility of APP fraud and have taken additional steps, or carried out additional checks, before processing payments in some circumstances. This is something that Monzo does in practice along with all other banks.

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

Should Monzo have recognised that Mr S was at risk of financial harm from fraud?

I must take into account that many similar payment instructions Monzo receives will be entirely legitimate. Nonetheless, it knew these payments were going to a cryptocurrency exchange. Losses to cryptocurrency fraud reached record levels in 2022 and, by the end of that year, many high street banks had placed restrictions or additional friction on cryptocurrency purchases owing to the elevated fraud risk. So,

by the time these payments took place, I think Monzo should have recognised that payments to cryptocurrency carried a higher risk of being associated with fraud.

Having considered what Monzo knew about payments 1 to 3 at the time, I'm not persuaded it ought to have been particularly concerned about them. While it could see the money was going to cryptocurrency, the amounts involved were relatively low. I have noted there were a number of failed attempts to make payment 1, but these were all rejected by the cryptocurrency exchange and I don't think it should have seemed particularly unusual that this led to repeated attempts. Taking everything into account, I can't reasonably say Monzo was at fault for processing these payments in line with Mr S's instructions.

Payment 4, however, was for a much larger amount and was Mr S's fourth payment to cryptocurrency in a relatively short period of time. It was at this point that I believe a pattern consistent with many known types of scam had begun to emerge and when Monzo should have identified that Mr S may be at risk of harm from fraud.

What did Monzo do to warn Mr S?

Monzo has confirmed that its systems didn't identify any of the payments as suspicious and that no warnings were shown or other intervention attempted.

What kind of warning should Monzo have provided?

Having thought carefully about the risk payment 4 presented, I think a proportionate response to that risk would have been for Monzo to ask Mr S to confirm the purpose of the payment in the app so it could show him a relevant and tailored warning.

If Monzo had intervened as I've described, would that have prevented the losses Mr S suffered from payment 4?

I've seen nothing in the evidence provided, including Mr S's online chats with the scammers, to indicate he was being coached to hide the real purpose of the payment. And contrary to what Monzo appears to believe, I've not found any other reason to think he wouldn't have disclosed he was investing in cryptocurrency. So if Mr S had been asked what the payment was for, I believe it's likely that he would have answered truthfully..

Once Monzo knew Mr S was investing, it would have been in a position to show a tailored warning setting out some of the common features of cryptocurrency investment scams. These could have included, for example, that victims are often contacted unexpectedly by people they don't know who promise extremely high returns, may be added to chat groups with other 'investors', set up with accounts on professional-looking platforms that appear to show trades being carried out and profits generated on their behalf, repeatedly asked to invest more and more money, may be asked to borrow to invest, and asked to pay unexpected fees and other charges when they want to withdraw their money.

On balance, if Mr S had been shown such a warning, I think he'd have recognised many of the common features of investment scams in his own situation and that it would have resonated with him for this reason. I'm also conscious that the history of his chats with the scammers appears to show he was having some doubts about the legitimacy of the scheme. For example in a conversation with someone he thought was another investor on 3 April when he was considering further investment, Mr S said:

Did you get invited randomly I just want to make sure its not a scam. So many out there nowadays.

I appreciate Monzo's argument that written warnings aren't always effective in stopping scams. But in this case, I think the most likely outcome is that a relevant tailored warning would have reinforced the doubts Mr S was already having and stopped him going ahead with payment 4.

I think it follows that if the scam had been uncovered at the point of payment 4, payments 5 and 6 would also have been prevented.

Is it fair and reasonable for Monzo to be held responsible for Mr S's loss?

I have taken into account that Mr S remained in control of his money after making the payments from Monzo. It wasn't lost until he took further steps. But I believe Monzo should still have recognised he was at risk of financial harm from fraud, made further enquiries about payment 4 and ultimately prevented his loss from that point. I think it can fairly be held responsible for any loss in these circumstances.

While I have considered all of the facts of the case, including the role of other financial institutions involved, Mr S has chosen not to pursue a complaint about any other firm and I can't compel him to do so. And I don't think it would be fair to reduce his compensation because he's only complained about one firm as I consider that Monzo should have prevented the loss.

Should Mr S bear any responsibility for his losses?

I've considered the evidence carefully to decide what's fair and reasonable in the circumstances of this case. While I accept Mr S believed these payments were being made in connection with a legitimate investment opportunity, I'm not persuaded that belief was an entirely reasonable one. I say this for the following reasons:

- Mr S says the scheme was promoting returns of 5 to 10% per day and that other members of the group were talking about profits of 600%. I also note he says he first asked about withdrawing when he believed he'd earned £100,000. These returns are extremely high and I think he should reasonably have questioned whether this was too good to be true.*
- He was told the later payments were costs he needed to pay to withdraw his money. There's no indication he'd been told about up-front costs to withdraw previously.*
- As I set out above, the online chats with the scammer appear to show he was already having doubts about the legitimacy of the scheme before making payment 4.*

In the circumstances, I think Mr S ought to have proceeded only with great caution. If he'd carried out any further research, for example online searches, I think he'd have quickly discovered his circumstances were similar to those commonly associated with investment fraud. Overall, I think it's fair and reasonable for Monzo to make a 50% deduction from the redress payable.

Recovery of funds

I've also looked at whether Monzo could or should have done more to try and recover Mr S's losses once it was aware that the payments were the result of fraud.

Mr S transferred funds to legitimate cryptocurrency accounts in his own name. From there, he purchased cryptocurrency and moved it onto a wallet address of his choosing (albeit on the scammers' instructions). Monzo could only have tried to recover money from Mr S's own account and it appears the money had already been moved on and, if not, anything that was left would still have been available to him to access. So I don't think anything that Monzo could have done differently would have led to these payments being successfully recovered.

In conclusion

For the reasons I've explained, I don't think Monzo acted fairly and reasonably in its dealings with Mr S and I'm proposing to uphold this complaint in part. While I don't think it acted incorrectly in processing payments 1 to 3 in line with his instructions, if it had carried out an appropriate intervention before payment 4 debited his account, I'm satisfied payments 4 to 6 would have been prevented.

The responses to my provisional decision

Monzo accepted my provisional decision. Mr S didn't. His representative has argued that payments 2 and 3 were not small amounts for Mr S and came in quick succession, meaning they were out of character for his account. As a result, payment 3 at least should have been stopped for further checks. It's also commented that payment 1 is roughly 40% of the amount of payment 2 and payments 2 and 3 are just under 50% of payment 4, so the differences between 1 and 2 and 2/3 and 4 are significantly different in amount.

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, my findings haven't changed from those I set out previously. I haven't necessarily commented on every single point raised. I've concentrated instead on the issues I believe are central to the outcome of the complaint. This is consistent with our established role as an informal alternative to the courts. In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

I appreciate the amounts involved in all of the payments were significant for Mr S, but I don't think on their own that payments 1 to 3 were sufficiently concerning that further intervention was warranted. They were made several days apart and a pattern of multiple and rapid payments consistent with many types of scam hadn't begun to emerge at this point. Payment 4 was more than double any of the previous payments, so it was undoubtedly much more significant. And as the fourth payment in the sequence, I still believe this is the point when Monzo should have identified that he may be falling victim to a scam.

Putting things right

The principal aim of any award I make must be to return Mr S to the position he'd now be in but for the errors or inappropriate actions of Monzo, while allowing for any responsibility he should reasonably bear. If Monzo had carried out an appropriate intervention as I've described, I'm satisfied the scam would have been stopped and Mr S would have retained the money that was lost from payment 4 onwards. As outlined above, I've applied a 50%

deduction to the amounts to be refunded in recognition of Mr S's own contribution towards the loss.

To put things right, Monzo should pay Mr S compensation of A + B, where:

- A = a refund of 50% of each of payments 4 to 6; and
- B = simple interest on each amount being refunded in A at 8% per year from the date of the corresponding payment to the date compensation is paid.

Interest is intended to compensate Mr S for the period he was unable to use this money. HM Revenue & Customs (HMRC) requires Monzo to deduct tax from any interest. It must provide Mr S with a certificate showing how much tax has been deducted if he asks for one.

Understandably, I think it's also clear this whole episode has caused Mr S a great amount of distress and inconvenience. I'm conscious that most of this should be attributed to the actions of the scammer, but I think failures in Monzo's response would only have compounded the situation.

Our investigator recommended Monzo pay Mr S compensation for the additional distress and inconvenience caused by its handling of his fraud claim. In particular, she highlighted that it repeatedly contacted him directly rather than his representative as instructed. I also note in its final response that Monzo said it took longer to respond to Mr S than it would have liked and that it had '*fallen short*' in this regard.

The amount to award for a customer's distress and inconvenience can be difficult to assess as the same situation can impact different consumers in different ways. But in the circumstances of this case, I think the £50 proposed by the investigator is broadly fair and should be paid to Mr S. This is in addition to the redress outlined above.

I'm satisfied this represents a fair and reasonable settlement of this complaint.

My final decision

My final decision is that I partly uphold this complaint. Subject to Mr S's acceptance, Monzo Bank Ltd should now put things right as I've set out above.

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

James Biles
Ombudsman