

The complaint

Mr C complains that Monzo Bank Ltd (Monzo) won't refund money he lost when he fell victim to a safe account scam. He also complains that it charged interest on a loan that was taken as part of the scam.

What happened

I'd like to reassure the parties that although I've only summarised the background, so not everything that happened or has been argued is mentioned, I have considered everything that has been submitted in its entirety.

Mr C fell victim to a safe account scam in November 2024. He received calls from individuals claiming to be from two financial businesses that Mr C was a customer of.

He was initially told a card with one of those financial businesses had been compromised – before later being told his other accounts were also at risk. One of those was his Monzo account, and he was told to send all available funds from it to his existing account with a cryptocurrency exchange, which I'll call Exchange C. The single payment in dispute was for £1,000 and used all of Mr C's agreed overdraft with Monzo.

Mr C used the £1,000 to purchase cryptocurrency from Exchange C and sent it to a wallet he was instructed to set-up by the scammers, which I'll refer to as Wallet T. From Wallet T, Mr C said the scammers were able to steal the cryptocurrency.

The scammers then persuaded him to take a loan out with Monzo, and transfer this to Exchange C too. Mr C said he became uneasy with this. Monzo blocked a larger payment to Exchange C which used these loan funds, and this money wasn't lost to the scam.

Mr C ended the call with the scammer but then received several further calls from different numbers, including a mobile number. He challenged the scammers on why different phone numbers were showing, and they blamed it on malware interference, but Mr C decided to contact the business they claimed to be from directly. That business confirmed to him it was a scam.

Following this Mr C said he emailed Monzo that evening, giving a summary of the scam and confirming he did not want the loan he was coerced into taking. He followed this up the next day with an email to raise a complaint which, among other things, requested the cancellation of the loan and reimbursement of the overdraft.

Monzo didn't uphold Mr C's complaint. It said it couldn't provide a refund because the money was taken from an account at Exchange C. As the scam also involved lending Mr C applied for, he was now liable to repay the loan and any accrued interest.

Unhappy with the response, Mr C referred the complaint to the Financial Ombudsman Service.

Our investigator looked into the complaint. They found that the disputed payment wasn't unusual enough to warrant an intervention from Monzo. With regard to the loan, they said that Monzo had applied the terms of it fairly when applying the interest.

Mr C didn't agree with the investigator. He didn't think they had fully considered Monzo's obligations under several laws and codes. Mr C argued the £1,000 payment should have warranted an intervention from Monzo. It was going to Exchange C which carried a greater risk given it was linked to cryptocurrency and, the payment used the whole of his overdraft which he'd never used to that extent before.

Mr C also argued Monzo had failed in its duty to act to avoid foreseeable harm, under the Financial Conduct Authority's Consumer Duty requirements. He argued the failure happened when it lent the loan to him, and felt it was unfair that they profited off the loan when they charged interest on it, particularly given he'd reported the scam promptly.

So, the complaint has been passed to me to make 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.

It's not in dispute here that Mr C authorised the payment in question. So, while I recognise that he didn't intend the money to go to scammers, the starting position in law is that Monzo was obliged to follow Mr C's instruction and process the payment. So, he, rather than Monzo is liable for the payment. However, that isn't the end of it.

Mr C has referred to the Contingent Reimbursement Model (CRM) Code which, while not a signatory, Monzo says it's committed to applying the principles of in circumstances where the Code applies. However, the CRM Code ended before Mr C made this disputed payment and was replaced by different rules. Neither the CRM Code nor the new rules would apply in Mr C's case though, as they wouldn't cover payments that went to another account in Mr C's name and control.

Outside the provisions mentioned above, I've considered longstanding regulatory expectations and requirements, and what I consider to be good industry practice for firms when processing payments. Based on those, I'm satisfied that Monzo ought to have been monitoring accounts to counter various risks including preventing fraud and scams.

However, I am in agreement with the investigator, and I'm not persuaded the payment in dispute was sufficiently out of character, such that it warranted an intervention from Monzo. Mr C argued that he'd rarely used the overdraft before. However, this was an agreed overdraft, so I wouldn't expect Monzo to find its customer using some or all of it, to be suspicious.

I acknowledge there were some risk factors present for the disputed payment. It was identifiably going to a cryptocurrency exchange which I agree carries a higher risk and it was larger than the payments typically seen on the account in the previous twelve months. Despite these factors, I'm not persuaded the payment presented such a significant risk such that I'd expect Monzo to have taken additional steps

The payment was not an unusually large amount in more general terms – when compared to the thousands of transactions that Monzo would be processing a day. And I must bear in mind that it's not uncommon for people to make large one-off payments from time to time to a new beneficiary in the course of general account spending.

Exchange C is also a legitimate cryptocurrency exchange and buying cryptocurrency is a legitimate exercise. So, while risks associated with cryptocurrency payments is higher, firms have to balance transaction monitoring against their duty to process transactions without undue delay.

Here, given the value, destination, and the timing of the payment, I don't think Monzo should've intervened. In other words, I'm not persuaded this single payment instruction was so out of character for Mr C, or indicated such a significant risk of financial harm, that it ought reasonably to have triggered Monzo's fraud monitoring systems.

Following this the loan was taken out by Mr C, on the advice of the scammer. I acknowledge Mr C was told that he needed to do this, in order to prevent the 'scammers' from being able to take it out instead. I appreciate the points Mr C has raised, but I've not seen anything that would suggest the application of the loan itself, ought to have raised concerns with Monzo. Based on the loan purpose provided, Monzo wouldn't have known that the loan funds would be sent to a cryptocurrency exchange, at the point it was applied for.

When Monzo realised that a much larger payment was being sent to Exchange C, I would've expected it to stop and question this. At this point the risk associated with that payment was much higher, and I think it ought to have concerned Monzo. I can see Monzo did stop it though, and fortunately no loss was suffered from that payment.

There was no prospect of Monzo recovering the funds Mr C had sent, after the scam came to light. His money had been used to purchase cryptocurrency from Exchange C, and that cryptocurrency had then been sent to Wallet T. So, no funds would have been left with Exchange C for Monzo to recover.

The loan

As I've said, I don't think its customer using a credit option it offered, ought to have raised concerns with Monzo in this case. Mr C is unhappy though, that Monzo charged him interest on this loan that was taken as part of the scam. He complains that he notified Monzo it had been taken in connection with the scam within 10 hours, yet he ended up being charged £81.20 interest on the loan.

I've looked at all the communication between Mr C and Monzo, as well as the terms and conditions of the loan. While I acknowledge Mr C was tricked into taking out the loan, it was still taken out, and the loan funds were paid into his account. So, the terms and conditions of the agreement would apply – and it explains that daily interest is charged.

It also gives a right to withdraw from the agreement within 14 days. Mr C effectively did this when he notified Monzo that he wanted the loan cancelled. But the terms explain that while Mr C has 30 days to repay the loan, daily interest of £2.80 is charged for each day until the loan is repaid. Mr C didn't pay back the loan until just over four weeks later – so I'm satisfied what he was charged was in line with those terms.

After reporting the scam, I acknowledge Mr C was waiting for Monzo's Fraud Team and Complaints Team to investigate his concerns. Mr C would've known that interest was accruing in the meantime and while I appreciate, he hoped that Monzo would agree with his concerns and write off or cancel the loan at no cost to himself, there was always the possibility it wouldn't agree. I could only tell Monzo to put something right, if I was persuaded it had made an error. As Mr C knew he still had all the loan funds, and so could've repaid the loan sooner, I'm not persuaded it was unfair of Monzo, or due to an error on its part, that it charged interest until the loan was paid off.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 12 January 2026.

John Ryan
Ombudsman