

The complaint

Mr J has complained that Monzo Bank Ltd won't refund money he says he lost to a scam.

What happened

The details of the complaint are well known to both parties, so I will not repeat them again here. Instead, I will focus on giving the reasons for my 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 done so, I agree with the investigator's findings for broadly the same reasons, I will explain why.

In broad terms, the starting position in law is that a bank is expected to process payments that their customer authorises them to make. It isn't disputed that Mr J knowingly made the payments from his account and so, I'm satisfied he authorised them. Therefore, under the Payment Services Regulations 2017 and the terms of his account, Monzo are expected to process the payments Mr J requested, and he is presumed liable for the loss in the first instance.

However, taking into account the regulatory rules and guidance, relevant codes of practice and good industry practice, there are circumstances where it might be appropriate for Monzo to take additional steps or make additional checks before processing a payment to help protect customers from the possibility of financial harm from fraud.

The question then arises whether Monzo ought reasonably to have held such suspicions or concerns in relation to Mr J payments - and if so, what might've been expected from a proportionate intervention at that time. Further to that, where there is an interaction between a customer and a bank before a high value payment are processed, as there was here, I'd expect the bank to take reasonable steps to understand the circumstances of that payment.

So, taking all of this into account, I need to decide if Monzo acted fairly and reasonably in their dealings with Mr J when he made the payments. Specifically, whether they should've done more than they did before processing them – and if they had, would that have made a difference. I also need to decide if Monzo could've reasonably recovered the lost funds.

Firstly, I want to acknowledge that I have considered that the funds used for the scam originated from a loan taken out by Mr J with Monzo, prior to the scam payments commencing. I have also considered the circumstances of the loan and what Monzo would have known at the time, and I am satisfied there wasn't anything which stood out as concerning regarding Mr J's request at the time. As such I have gone on to consider Monzo's actions in relation to processing the payments.

Having considered Mr J's account activity I am satisfied the first payment which stood out as uncharacteristic or suspicious is payment eight, made on 8 November 2023 for £470. I say this because, Mr J had made seven payments prior to this one, all to a new account (albeit in his own name) within roughly eight minutes. This was unusual and not in line with Mr J's usual account activity. And more importantly, the pattern of the expenditure had all the hallmarks of a scam. As such, I am satisfied, Monzo ought to have intervened on payment eight.

So, I have gone on to consider what Monzo ought to have done in the circumstances, if it had intervened on payment eight as I have outlined above. The FCA's Consumer Duty, which was in force at the time these payments were made, requires firms to act to deliver good outcomes for consumers including acting to avoid foreseeable harm. In practice this includes maintaining adequate systems to detect and prevent scams and to design, test, tailor and monitor the effectiveness of scam warning messages presented to customers. As such, firms, have developed warnings to recognise both the importance of identifying the specific scam risk in a payment journey and of ensuring that consumers interact with the warning.

In light of the above, by November 2023, when these payments took place, Monzo should have had systems in place to identify, as far as possible, the actual scam that might be taking place for example by asking a series of automated questions designed to narrow down the type of scam risk associated with the payment he was making – have provided a scam warning tailored to the likely scam Mr J was at risk from. I accept that any such system relies on the accuracy of any information provided by the customer and cannot reasonably cover off every circumstance.

Having considered the questions Monzo ought to have considered, I am satisfied if it had intervened in the way I have highlighted above it would have asked Mr J for the purpose of payment followed by other open probing questions. And having considered, how Mr J answered his questions (later that day when Monzo intervened and unveiled the scam) I am satisfied Mr J would have answered this question in a similar way. When Monzo did intervene (later that day) Mr J explained he had been contacted by an advisor from Monzo and asked to take out a loan (to clear the 'loan taken out in his name') and to move his money to another account. As such, the scam would have been unveiled, as it was later that day when Monzo intervened in a similar way.

I appreciate that asking automated questions to narrow down the type of scam a consumer is potentially falling victim to relies on the consumer being open and honest with their answers. And while Mr J didn't provide accurate answers when completing the loan application, he did provide accurate answers when Monzo intervened later in the day. As such, I am satisfied, if Monzo had intervened on payment eight, Mr J would have been open and honest, and the scam would have been unveiled.

I've considered whether Mr J should share any liability for the loss. In considering this point, I've taken into account what the law says about contributory negligence as well as what's fair and reasonable in the circumstances of this complaint. Overall, I do think it's fair to expect Mr J to share liability equally with Monzo. I'll explain why.

Mr J was told a loan had been taken out in his name and in order to reverse the loan he needed to take a loan out with Monzo and open an account with a third party (an account in his own name) and transfer the funds to that account. While I appreciate that Mr J would have been concerned and under the spell of the scammer, the requirement to take out a loan in order to cancel a fraudulent loan taken out in his name, ought to have been a red flag to Mr J and alerted him to the fact something wasn't right.

Secondly, when Mr J was applying for the loan, he didn't provide accurate information for the reasons why he wanted a loan. For example, he said 'home improvements'. Mr J was under the impression he was speaking to an advisor from Monzo, and therefore, I am satisfied Mr J ought to have been concerned why the advisor from Monzo was telling to provide inaccurate information on a loan application. I am persuaded Mr J ought to have considered if a legitimate advisor would encourage him to take out a loan and provide inaccurate information on his application.

Mr J was also encouraged to transfer his money in instalments. Again, having considered the story Mr J was told and the reasons why he thought he needed to transfer his money, I am satisfied he ought to have considered why an advisor would be asking him to transfer the funds in small instalments when his funds 'were at risk'.

I do accept that there may have been elements to the scam which appeared sophisticated. However, I do think there were some red flags Mr J ought to have picked up on. For the avoidance of doubt, it is not my finding that Mr J knew that he was likely falling victim to a scam and went ahead anyway. But I do think based on some of the information available to him that there was a possibility something wasn't right, or that he might not recover his money. In those circumstances it would not be fair to require Monzo to compensate him for the full amount of his losses.

I've also thought about whether Monzo could have done more to recover the funds once it became aware of the situation, as in some circumstances the money can be recovered. Given Mr J had transferred funds to an account in his own name under his own control (prior to moving the funds on to the scammers). If these funds had not already been transferred to the scammer by Mr J they would be in his control to access as and when he chose. Monzo would not have been able to attempt to retrieve the funds from the scammer directly as that is not where the funds were originally sent to. So, it follows that I won't be asking Monzo to do anything further, in regard to this.

Trouble and upset

I note that Mr J has said that he wants compensation for the distress and inconvenience caused. Whilst I don't dispute Mr J would have felt distressed and inconvenienced by the scam he fell victim to, I haven't seen any evidence to persuade me that Monzo should pay Mr J compensation as a result.

Putting things right

For the reasons I have explained above, I feel Monzo ought to have recognised that Mr J might have been at risk of financial harm from fraud when he made payment eight, and in those circumstances, it should have declined the payment and made further enquiries.

So, it follows that I think it's reasonable Monzo should pay Mr J:

- 25% of all payments from and including payment eight (taking into consideration a third party has also refunded 25% of the scam payments.)
- 8% interest on that amount (to reflect the loss of use of this money in the account) from the date the payment was paid to the date of settlement less any tax lawfully deductible.

My final decision

My final decision is that I uphold this complaint and direct Monzo Bank Ltd to pay Mr J in line with the redress I have outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 10 February 2026.

Jade Rowe
Ombudsman