

The complaint

Miss B is being represented by her partner. She's complaining about Monzo Bank Ltd because it declined to refund money she lost as a result of fraud. For the sake of convenience, I'll refer to any comments from her partner as having come from Miss B herself.

What happened

Sadly, Miss B fell victim to a cruel investment scam that was recommended to her by a friend. To summarise events very briefly, after speaking to the scammers, she was persuaded to make an initial payment from an account with another firm, after which she made two further payments of £8,700 on 15 April ('payment 1') and 16 April 2025 ('payment 2') from her Monzo account. Payment 1 went to a cryptocurrency account in Miss B's own name, after which the currency purchased was transferred to the scammers. Payment 2 was an international transfer to an overseas account.

The scam came to light after Miss B tried to make a further payment on 16 April and she spoke to one of Monzo's agents who asked relevant questions and was able to identify what was really going on.

My provisional decision

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

There's no dispute that Miss B 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.

In making its submission to us, Monzo has also referred to the ruling of the Supreme Court in the case of Philipp v Barclays Bank UK PLC that subject to some limited exceptions banks have a contractual duty to make payments in compliance with the customer's instructions. In that case, the Supreme Court considered the nature and extent of the contractual duties owed by banks to their customers 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, it 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.

- *At paragraph 114 of the judgment the court noted that express terms of the current account contract may modify or alter that position. In Philipp, the contract permitted Barclays not to follow its consumer'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 legal duty to do so.*

But there's nothing in this ruling that prevents a bank from carrying out further checks to satisfy itself a transaction is legitimate. And the fact Monzo did contact Miss B with further questions about another payment she tried to make on 16 April indicates it doesn't dispute this point.

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.*

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

Should Monzo have recognised that Miss B was at risk of financial harm from fraud?

I must take into account that many similar payment instructions Monzo receives will be entirely legitimate and I also need to consider its responsibility to make payments promptly.

But at the same time, payment 1 was sent 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 this payment took place, Monzo should have recognised that payments to cryptocurrency carried a higher risk of being associated with fraud.

Monzo has highlighted that payment 1 was facilitated by a third-party payment processor that deals with many other types of payments as well as cryptocurrency. While this is true, an online search of the sort code for the account to which the payment was sent reveals that the associated branch/office was the cryptocurrency exchange. This is publicly available information and I think Monzo should therefore have been able to identify that the payment was going to cryptocurrency despite the fact it was being processed by a third-party on behalf of the exchange.

After reviewing Miss B's account history, I can see that she had recently made other smaller payments to a different cryptocurrency exchange that she says were associated with another scam. But as she didn't report this to Monzo at the time, these would have appeared legitimate and it wouldn't have seemed particularly unusual or suspicious when she went on to make another payment to cryptocurrency shortly after.

This notwithstanding, Monzo has confirmed that it had placed a limit on transfers to cryptocurrency that prevented customers making payments totalling more than £5,000 in a rolling 30-day period. The fact this payment exceeded that limit and Monzo should have known it was going to cryptocurrency means it shouldn't have gone ahead in accordance with the bank's own procedures. On this basis, I think it's reasonable to conclude that there should be at least some reimbursement of this amount.

Turning to payment 2, this was the second large payment Miss B had instructed in the space of just over 24 hours and it was going to a new overseas payee. Irrespective of whether it had stopped payment 1 in line with its internal procedures or not, I think Monzo should have identified at this point that she may be at risk of harm from fraud and taken additional steps before processing her instruction.

What kind of warning should Monzo have provided?

It appears Monzo did identify risks associated with this payment as it asked Miss B some further questions in the app. But having thought carefully about the risk this payment presented, I think a proportionate response to that risk would have been for Monzo to have attempted to establish the surrounding circumstances before allowing it to leave her account. I think it should have done this by, for example, speaking to her on the phone to discuss the payment further as it did when she tried to make another payment later that day.

If Monzo had intervened as I've described, would that have prevented the losses Miss B suffered from payment 2?

When Monzo's agent spoke to Miss B later on 16 April, she was asked about the purpose of the payments she'd been making. Despite having been encouraged by the scammer to hide what she was really doing, she answered the questions honestly and this enabled the agent to identify it was a scam and prevent further losses. If an agent had held a similar conversation with Miss B earlier on the same day after receiving her instruction for payment 2, I've no reason to think she would have been any less honest or that the agent wouldn't have been able to come to the same conclusion.

So, taking everything into account, if Monzo had carried out a proportionate intervention before payment 2 left her account, I think the most likely outcome would have been that Miss B's eyes were opened to the scam and she'd have opted not to continue with the transfer or to make any further payments to it.

Should Miss B bear any responsibility for her losses?

I've considered the evidence carefully to decide what's fair and reasonable in the circumstances. While I accept Miss B acted in good faith and genuinely believed these payments were being made in connection with a legitimate investment opportunity, I'm not persuaded that belief was a reasonable one.

While I understand the scheme was recommended by a friend, Miss B was proposing to make a very large investment totalling £50,000 and it's reasonable to believe she should have carried out some background research about the company, including checking whether it was authorised by the regulator. I also note Miss B now accepts that a lack of documentation, including confirmation emails, should have been a cause for concern.

Miss B has also provided information about the sort of returns she was told to expect from the scheme. These are extremely high and I think she should reasonably have questioned whether this was too good to be true.

In the circumstances, I think Miss B ought to have proceeded only with great caution. Particularly as she says she'd already fallen victim to another scam involving payments to cryptocurrency only a couple of months earlier. If she'd carried out any further research, for example online searches, I think she'd have discovered her 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

As one of the payments went to a cryptocurrency account in her own name and the other to an overseas account, Miss B isn't eligible for any refund under the industry's reimbursement scheme. But I've nonetheless looked at whether Monzo could or should have done more to try and recover her losses once it was aware that the payments were the result of fraud.

With respect to payment 1, Miss B transferred funds to a legitimate cryptocurrency account in her own name. From there, she purchased cryptocurrency and moved it onto a wallet address of her choosing (albeit on the scammers' instructions). Monzo could only try to recover funds from Miss B's own account and it appears the money had already been moved on. If not, anything that was left would still have been available to her to access.

With respect to payment 2, it's a common feature of this type of scam that the fraudster will move money very quickly to other accounts once received to frustrate any attempted recovery. The recovery of international payments is also more difficult because permission is generally required from the recipient account holder and it's unlikely this will be successfully obtained where payments are part of a scam.

So, in the circumstances, I don't think anything that Monzo could have done differently would likely have led to these Miss B's money being successfully recovered.

In conclusion

For the reasons I've explained, I don't find that Monzo acted fairly and reasonably (or in line with its own procedures in respect of payment 1) in its dealings with Miss B and I'm proposing to uphold this complaint. If it had followed its own procedures to decline payment 1 and carried out an appropriate intervention before payment 2 debited her account, I'm satisfied the loss from these payments would have been prevented.

The responses to my provisional decision

Both Miss B and Monzo responded to confirm their acceptance of my provisional 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.

As neither party has made any further submissions, my findings haven't changed from those I set out previously.

Putting things right

The principal aim of any award I make must be to return Miss B to the position she'd now be in but for the errors or inappropriate actions of Monzo, while allowing for any responsibility she should reasonably bear. If Monzo had followed its procedures in respect of payment 1 and carried out an appropriate intervention in respect of payment 2, I'm satisfied the scam would have been stopped and Miss B would have retained the money that was lost from these transactions. As outlined above, I've applied a 50% deduction to the amount to be refunded in recognition of Miss B's own contribution towards the loss.

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

- A = a refund of 50% of payments 1 and 2; 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 Miss B for the period she was unable to use this money. HM Revenue & Customs (HMRC) requires Monzo to deduct tax from any interest. It must provide her with a certificate showing how much tax has been deducted if she asks for one.

Our investigator also considered Miss B's request for additional compensation to recognise the way this situation was handled by Monzo and I think it's understandable that this whole episode has caused her a great amount of distress and inconvenience. I'm conscious that most of this should be attributed to the actions of the scammers rather than Monzo, but I think there were failings in Monzo's response to her claim for reimbursement that would only have compounded the situation and I believe she should be appropriately compensated for this.

In particular, I note Miss B's complaint referred to all three payments to the scam, including the initial payment she now realises was made from an account with another firm. Instead of clarifying the initial payment wasn't made from her Monzo account and answering her concerns about payments 1 and 2, the bank issued a final response that addressed payment 2 only. It didn't provide a response in respect of payment 1 until the complaint was referred to us.

The amount to award for a consumer's distress and inconvenience can be difficult to assess as the same situation can impact different people in different ways. But in the circumstances, I think Monzo should pay additional compensation of £100 for its part. 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 uphold this complaint. Subject to Miss B'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 Miss B to accept or reject my decision before 2 February 2026.

James Biles
Ombudsman