

The complaint

Mr L has complained that Monzo Bank Ltd won't refund the money he lost after falling victim to a scam.

What happened

In summer 2022, Mr L saw an advert on social media for a cryptocurrency investing website. He gave the website his contact details and entered into discussions over a messaging app. Mr L felt the website was genuine as it looked professional, it was advertised on social media, they made him do ID checks, and they gave him his own account. However, it turned out to be a scam.

The scammers told Mr L they would increase his investment 10-fold in just 24 days. Mr L paid some initial money to them through another bank account of his. He then took out an £8,000 personal loan, had it paid into his Monzo account, and forwarded £7,500 of that to another cryptocurrency platform and then on to the scammers.

Mr L reported the scam to Monzo shortly afterwards. Monzo contacted the cryptocurrency platform, but was unable to recover any of the funds. Monzo didn't think it was liable for Mr L's loss, as he'd initially paid the money to a cryptocurrency account in his own name, and because it felt the account activity was not unusual.

Our investigator looked into things independently and upheld the complaint in part, recommending that Monzo refund 50% of the loss, as well as some simple interest on Mr L's loan repayments. Monzo didn't agree, so the complaint's been passed to me to decide.

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.

There's no dispute that Mr L authorised the payment involved, even if he didn't intend for the money to go to scammers. So, under the Payment Services Regulations and the terms of his account, Mr L is liable for the loss in the first instance. But the matter doesn't end there.

Taking into account the law, regulator's rules and guidance, relevant codes of practice, and what I consider to have been good industry practice at the time, I consider that Monzo should have fairly and reasonably:

- Monitored accounts and payments to counter risks such as fraud and scams;
- Had systems in place to look out for particularly unusual transactions or other signs its customers were at risk of fraud;

- In some circumstances, taken further steps or made further checks before a payment went out, or even blocked it, to help protect customers – irrespective of the type of payment involved.

I accept that there must be a balance struck between responding to potentially fraudulent payments and ensuring there's minimal disruption to legitimate ones. But in this case, I think the payment involved stands out as being remarkable, so I think it should have prompted Monzo to intervene.

Mr L received a very substantial loan, then quickly forwarded on nearly all of it to a new payee. The amounts involved were many times larger than the amounts Mr L normally handled in this account. I've reviewed Mr L's account activity in the months leading up to the scam, and I can't see any comparable activity. Monzo pointed out that Mr L had previously received his income and then transferred it to another account of his. But as it well knows, there's a huge difference between sending on one's normal income to one's other bank account, and receiving a loan for over 10x one's highest prior transactions then forwarding it to a crypto site. By 2022, the Financial Conduct Authority (FCA) and Action Fraud had published warnings about cryptocurrency scams, so Monzo should've had a good understanding of the risk of these scams and how they work.

So I think Monzo ought reasonably to have made person-to-person enquiries with Mr L about this payment before it processed it. Had Monzo intervened and asked reasonable questions, I think it would have most likely come to light that Mr L was being scammed. Given the wholly unrealistic returns promised, the pressure sales tactics applied, the lack of any proper documents or paperwork, the website being unregulated, the intelligence Monzo had received about crypto scams from the regulator and Action Fraud – and so on – I'm satisfied it ought to have identified this was most likely a scam and warned Mr L or stopped the payment altogether.

I've seen no good reason to think Mr L would not have been honest with Monzo about why he was sending this payment – he thought he was making a genuine investment, and the scammers hadn't told him to lie if questioned. I've also seen no reason why Mr L would not have listened to Monzo – it is a well-known name in banking, and he accepted he was not an experienced investor.

Monzo argued that it could not be held liable for the loss because the transfer was to a receiving account in Mr L's name. First, it would not have known that at the time – and even if it had identified that the crypto account was in Mr L's name, it should have been on notice about crypto scams. Second, Monzo was still obliged to look out for potentially fraudulent payments, even if they were going to another account in the customer's name. And identifying and preventing such scam payments would still have the effect of preventing a loss to its customer. So Monzo can still be held liable for a loss that resulted from its failure to intervene – which is what I've found to have most likely been the case here.

So I find that Monzo bears some liability for Mr L's loss here.

I've also thought carefully about Mr L's role in what happened. I understand why Mr L thought the scam website might be genuine, and I understand that his decision-making may have been impaired due to a medical condition. But I'm afraid I can't see that Mr L carried out any reasonable due diligence before paying the scammers. And I think he ought to have had more concerns along the way about what he was being told. For example, the returns promised were concerningly unrealistic, he wasn't given any paperwork or other evidence which verified what he was being told, the scammers used unprofessional language and poor grammar, and so on.

So I can't fairly hold Monzo solely responsible for Mr L's losses. I think Mr L should also bear some responsibility for those losses. I think the fairest thing is for each side to be held liable for 50% of the loss. I also think Monzo should pay some simple interest on Mr L's loan repayments to date. This will help acknowledge that because Monzo didn't accept any liability for its role in things going wrong, nor redress any of the loss before now, Mr L has had to keep up his loan payments and hasn't been able to arrange to settle the account.

Lastly, I've considered whether Monzo should have done more to try to recover Mr L's money. But I can see that Monzo contacted the receiving account with the speed we'd expect it to. And as the transfer went to Mr L's own crypto account, and the funds had been spent, I'm afraid there wasn't anything more that Monzo could really do there.

Putting things right

Monzo Bank Ltd should:

- Refund 50% of the £7,500 scam payment, totalling £3,750.
- Pay Mr L simple interest on the loan repayments he's made up to the date of this decision, at the rate of 8% simple per year, payable from the date of each repayment until the date Monzo pays the redress.

If Monzo considers that it's required by HM Revenue & Customs (HMRC) to deduct tax from that simple interest, it should tell Mr L how much tax it's taken off. It should also give Mr L a tax deduction certificate if he asks for one. Mr L may be able to reclaim the tax from HMRC if he doesn't normally pay tax.

My final decision

For the reasons I've explained, I uphold Mr L's complaint in part, and direct Monzo Bank Ltd to put things right by doing what I've said above.

If Mr L accepts the final decision, Monzo Bank Ltd must pay him within 28 days of the date our service notifies it of the acceptance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 13 September 2023.

Adam Charles
Ombudsman