

The complaint

Mr S complains Monzo Bank Ltd won't refund the money he lost when he was the victim of a scam.

What happened

In June 2022, Mr S came across an article online which said a well-known television personality had made a significant amount of money investing in cryptocurrency. He followed a link in the article and was then contacted by an investment company. He was given an account manager at the company, who talked him through opening an account with a cryptocurrency exchange, a cryptocurrency wallet and a trading app. And he was shown how to send money to the cryptocurrency exchange, buy cryptocurrency, and then send the cryptocurrency from his wallet to the trading platform.

When Mr S first tried to send money to the cryptocurrency exchange from an account he held with a different bank, that bank stopped the payment. So the account manager from the investment company suggested he open an account with Monzo, which he did. Mr S then made a number of payments from his Monzo account to the cryptocurrency exchange to buy cryptocurrency, which was then sent on to the trading platform – as he was instructed to by the account manager.

I've set out the payments Mr S made from his Monzo account, as well as a credit he received from the trading platform, below:

Date	Details	Amount
27 June 2022	To cryptocurrency exchange	£10
27 June 2022	Credit from exchange	£50 credit
27 June 2022	To cryptocurrency exchange	£2,100
29 June 2022	To cryptocurrency exchange	£5,000
30 June 2022	To cryptocurrency exchange	£10,000
11 July 2022	To cryptocurrency exchange	£10,000
12 July 2022	To cryptocurrency exchange	£10,000
13 July 2022	To cryptocurrency exchange	£8,000
27 July 2022	To cryptocurrency exchange	£10,000
28 July 2022	To cryptocurrency exchange	£10,000
29 July 2022	To cryptocurrency exchange	£5,000
16 August 2022	To cryptocurrency exchange	£10,000
17 August 2022	To cryptocurrency exchange	£10,000
18 August 2022	To cryptocurrency exchange	£10,000
19 August 2022	To cryptocurrency exchange	£5,000

Unfortunately, we now know the investment company was a scam. After the scam was uncovered, Mr S contacted Monzo and asked it to refund the money he had lost.

Monzo investigated but said its system had behaved correctly in allowing Mr S to make the payments to the cryptocurrency exchange and it didn't have any oversight of the money

once it had left his Monzo account. So it didn't agree to refund any of the payments. Mr S wasn't satisfied with Monzo's response, so referred a complaint to our service.

One of our investigators looked at the complaint. They thought Monzo should have had concerns about the payments Mr S was making and intervened before the fourth payment he made. But they also thought Mr S should bear some responsibility for his loss. So they recommended Monzo refund 50% of the money Mr S had lost, from the fourth payment onwards. Monzo disagreed with our investigator, so the complaint has been passed to me.

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.

Banks are expected to make payments in line with their customers' instructions. And Mr S accepts he made the payments here. So while I recognise he didn't intend for the money to ultimately go to scammers, he did authorise the payments. And so the starting position in law is that Monzo was obliged to follow his instructions and make the payments. So Mr S isn't automatically entitled to a refund.

However, the regulatory landscape, along with good industry practice, sets out requirements for banks to protect their customers from fraud and financial harm. So, in line with this, I think Monzo should fairly and reasonably:

- Have been monitoring accounts and any payments made or received to counter various risks, including anti-money laundering, countering the financing of terrorism, and 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 (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which banks are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, before processing a payment, or in some cases declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

And so I've also considered whether Monzo should have identified that Mr S was potentially at risk of financial harm from fraud as a result of any of these payments and did enough to protect him.

Did Monzo do enough to protect Mr S?

The first few payments Mr S made from his Monzo account as part of this scam weren't for particularly large amounts. They were also the first payments made out of the account, as Mr S had opened it specifically to make these payments, and so there was no previous account activity for Monzo to compare the payments to. So I wouldn't have expected Monzo to identify that Mr S could be at risk of financial harm as a result of these payments and I don't think it's unreasonable that it didn't take any further steps or carry out any additional checks before allowing them to go through.

But when Mr S tried to make the fourth payment here, for £10,000 on 30 June 2022, I think Monzo should have identified that he could be at risk of financial harm. This payment was for a significantly larger amount than the previous payments. At this point Mr S had made four

payments in four days to the same payee, of continuously increasing amounts, which is a pattern often seen with scams. And, as when he opened the account Mr S said he expected it to be used for occasional spending and only have around £500 paid into it each month, the spending was significantly different to what he'd originally suggested. So I think Monzo should have intervened and carried out additional checks before allowing this payment to go through.

Monzo has argued that the payment went to an account with the cryptocurrency exchange that was in Mr S's own name and that he still had control over. So it doesn't think it should be responsible for intervening at this point as Mr S didn't suffer a loss until the money left the account with the cryptocurrency exchange. But while the account was in Mr S's own name, it was with a cryptocurrency exchange and money transfer service rather than with a more traditional bank, and so I think this suggests Mr S's intention was to transfer the money on from there rather than just move it between accounts he held.

I don't think Monzo's responsibilities to monitor accounts or look out for risks no longer apply when the money is going to an account in the customer's own name. And as money was being moved into the account and then immediately moved on in increasingly large amounts in a pattern often seen in scam cases, and the account appeared to have been opened specifically for this purpose, I still think it's reasonable to expect Monzo to have intervened here.

It's not for our service to dictate the checks Monzo should do or the questions it should ask. But banks should take steps designed to protect their customers from the risk of financial harm. And, in these circumstances and given the size of this payment, I think it would be reasonable to expect those checks to include questions about the purpose of the payment and then relevant follow-up questions about how Mr S found out about the investment he was making and what returns he'd been told he was making.

I've not seen anything to suggest Mr S would have lied or tried to mislead Monzo if he was asked about the payment. So I think it's likely he would have said the payment was for an investment he was making involving cryptocurrency, he'd found the investment company after seeing an article online featuring a well-known television personality, and he'd been told he was making significant returns. And as these are all features of common investment scams, I think Monzo should then have had significant concerns and warned Mr S that he was likely the victim of a scam.

And as Monzo is the expert in financial matters in this situation, I think its concerns would have carried significant weight with Mr S. I think if Monzo had explained that his circumstances matched common investment scams and given him some steps he could take to check whether it was legitimate, the scam would have been uncovered and Mr S wouldn't have made any further payments towards it.

So if Monzo had done more to protect Mr S before allowing the fourth payment, as I think it should have, I don't think Mr S would have lost the money from this payment or any of the later payments. And so I think it would be reasonable for Monzo to bear some responsibility for the loss Mr S suffered from that point on.

Should Mr S bear some responsibility for his loss?

I've also thought about whether it would be fair for Mr S to bear some responsibility for his loss. And while I appreciate that this was a sophisticated scam where he was given access to a trading platform which appeared to show profits he was making, I do think there were a number of things about what was happening that should have caused him significant concern.

After seeing the article online, he doesn't appear to have done significant checks into who the investment company were or seen any independent evidence of the returns they had been able to get for other investors. And given the amount of money he was sending them, I don't think it was reasonable for him to rely solely on this article and I think it's reasonable to expect him to have done more checks than he did.

Mr S doesn't appear to have been sent any documents or paperwork relating to the investments he was making. And given that he thought he was investing through a professional company and the amount of money he was investing at this point, I think it would be reasonable to expect at least some documents confirming all this. And so I think this lack of documents should have caused Mr S some concern.

Mr S also appears to have been guaranteed a monthly return on his investment, which I don't think any legitimate investment would ever be able to do – particularly seemingly without any risk of losing more money than he had put in. And he appears to have been told he had made very significant returns on the amount he had invested in just a few days since his first payment to the company. And I think these guarantees and very high returns should have caused him concern that what he was being told was too good to be true.

It also doesn't appear that Mr S had a particularly clear understanding of how his money moved from his Monzo account, to the cryptocurrency exchange, to the cryptocurrency wallet and then on the trading platform – or of why it needed to be moved in this way. And given the amount of money he was sending, I think it would be reasonable to expect him to have made sure he had a clearer understanding of this before sending the payments.

I sympathise with the position Mr S has found himself in. He has been the victim of a cruel and sophisticated scam. But I think there were a number of things here which should have caused him significant concern. And I don't think he did enough, or that the seemingly genuine information he received from the company should have been enough, to overcome those concerns. So I think it would be fair for him to bear some responsibility for the loss he suffered.

As I think both Mr S and Monzo should bear some responsibility for the loss he suffered, I think it would be fair for Monzo to refund 50% of the money Mr S lost – from the fourth payment onwards.

Account Closure

During July 2022, Monzo gave Mr S notice that it would be closing his account.

Monzo's terms and conditions say that it can close a customer's account by giving at least two months' notice. And as Monzo gave Mr S two months' notice of the closure of his account, I don't think it has acted unreasonably in closing his account in this way.

Mr S accepts that Monzo isn't required to tell him the reason why it closed his account, but has said it shouldn't have allowed him to make any further payments to the cryptocurrency exchange after it gave him notice that his account would be closed. But, even if I agreed Monzo shouldn't have allowed him to make any further payments after this point, it wouldn't change the outcome I have set out above.

I've already set out that I think Monzo should refund 50% of these payments. And I'd still think it would be fair for Mr S to bear some responsibility for the loss he suffered, even if Monzo shouldn't have allowed these later payments. And so I'd still think it would be fair for Monzo to refund 50% of these payments.

Customer Service

Mr S also said he was unhappy with the customer service he received from Monzo during his claim. He's said he had to deal with a number of different people at Monzo, he received a number of emails asking for the same information, and his claim was decided and closed before he'd sent in evidence he'd said he would provide.

I appreciate this this will have been frustrating for Mr S. But the way Monzo's chat function works means conversations will often be picked up by different people at different times, and from what I've seen of Mr S's communication with Monzo, I don't think this of itself caused any significant issues or delays. Mr S was sent a number of emails asking for him to verify his identity, but Monzo explained these were sent because each of the different emails Mr S sent with information about his complaint had to be verified separately. And Monzo is required to respond to complaints within specific timescales, and did re-open and re-assess Mr S's complaint once he provided the further evidence.

So while there are parts of the customer service Monzo provided to Mr S that I think could have been of a higher standard, I don't think Mr S was caused sufficient distress and inconvenience by this to warrant an award of compensation.

My final decision

I uphold this complaint in part, and require Monzo Bank Ltd to:

- Refund Mr S 50% of the money he lost, from the fourth payment onwards – for a total of £49,000
- Pay Mr S 8% simple interest on this refund, from the date of the payments until the date of settlement

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 23 February 2024.

Alan Millward
Ombudsman