

## The complaint

Mr D holds a current account with Monzo Bank Ltd, which he opened in June 2023. In July 2023, some fraudsters contacted him with a promise of employment for which he would work online at home. They told him that to get the work, he first had to pay various fees. He sent the fees from his Monzo account. But the whole story was a lie. In reality, there was no employment, and the fraudsters had no intention of paying him any wages.

Mr D thinks that Monzo should have stopped him paying fees to the fraudsters. It didn't. So, he wants it to refund him the money he lost.

## What happened

The fraudsters contacted Mr D through social media, using an electronic messaging system, including a *group chat* service. They were very convincing. They seemed legitimate and professional. They used the group chat service to con Mr D into believing that other people were earning money from their fake scheme, and that he could do the same. Mr D genuinely believed they would provide him with work and pay him for it.

The fraudsters gave Mr D detailed guidance on how to send them the fees. They instructed him to open an account with a cryptocurrency exchange service, use it to purchase cryptocurrency and then send the fees in cryptocurrency to specific accounts (or "*wallets*"), which they controlled. In all, Mr D sent the fraudsters eleven payments in this way from his Monzo account. He used Monzo's fast payment service to do this.

During our investigation, we received slightly different information about the exact sequence and timing of the eleven payments. Our investigator checked this and sent both parties a schedule of what seems to have happened. Neither Monzo nor Mr D challenged this schedule and I have taken it to be accurate. I have provided brief details in the following table.

Payment number	Date	Time	Amount
1	10 July 2023	13.19	£180.00
2	10 July 2023	14.35	£290.00
3	10 July 2023	18.26	£167.40
4	10 July 2023	18.31	£162.72
5	10 July 2023	18.34	£204.00
6	10 July 2023	19.16	£314.00
7	10 July 2023	19.26	£155.00
8	10 July 2023	19.29	£159.65
9	10 July 2023	19.50	£405.00
10	22 July 2023	21.30	£1,510.00
11	23 July 2023	20.18	£520.00
<b>Total</b>			<b>£4,067.77</b>

After purchasing the cryptocurrency, Mr D sent the equivalent values of payments 1 to 9 to nine different personal accounts, and the equivalent value of payments 11 and 12 to the same named company account. I understand that the fraudsters sent Mr D fake work in return for payments 1 to 9 and used a fake website to convince him that he was earning money.

After payment 9, Mr D tried to retrieve the earnings he thought he had made but couldn't. The fraudsters then convinced him that he would be able to get all his earnings, but only if he sent further fees first. So, he sent payments 10 and 11. But he still couldn't get any money back.

After payment 11, Mr D realised he had been the victim of fraud. I'm not sure exactly when he realised this, but he reported the fraud to Monzo on or around 9 August 2023.

One of our investigators has already looked into Mr D's complaint and thought that Monzo should have done more to protect him from fraud. The investigator recommended that Monzo should refund Mr D some of the money he had lost.

Monzo didn't agree with the investigator and asked for the complaint to be reviewed. So, it has come to me as an ombudsman to decide what a fair outcome should be.

### **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.

Before discussing the details of Mr D's complaint, I would like to express my heartfelt sympathy for the awful treatment he received at the hands of the fraudsters. Falling victim to fraud is always deeply upsetting. And I understand that Mr D has only recently arrived in the UK from overseas and has little money on which to build his future, so the experience must have been terrible for him. I sincerely hope he never faces a similar situation again.

There is no doubt that Mr D followed Monzo's normal process when he sent his money to the fraudsters. By doing so, he instructed Monzo to send the money on his behalf. I fully accept that he only did this because of the lies the fraudsters told him, but he effectively authorised Monzo to make the payments. Frauds of this type are often called *Authorised Push Payment (APP)* frauds.

While banks are normally expected to act on their customers' instructions, APP fraud is a significant concern in the banking industry. At the time this fraud took place, I would have expected Monzo to be looking out for anything noticeably unusual in the transactions its customers were making. And if it saw anything suspicious about a payment, or a pattern of payments, I would have expected it to check with the customer concerned before processing the payment(s).

To expand on banks' responsibility a bit more. In broad terms, the starting position in law is that financial firms, including Monzo, are expected to process payments and withdrawals that a customer authorises them to make, in accordance with the terms and conditions of the customer's account.

However, taking into account the law, regulators' rules and guidance, relevant codes of practice and what I consider was good industry practice at the time, I consider 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 (amongst other things).

I've looked at the way Mr D had been using his account and compared that to the payments he made during the fraud.

At that time, Mr D had only held his account for a short period. He had used it to make small payments, usually well under £100, and they seemed to be for day-to-day items. All the payments he made to the fraudsters were for larger amounts. Despite this, Monzo has told us that it "*did not suspect fraud ..(and so)... did not intervene*".

I accept Monzo's position that taken *individually*, the first few payments were not sufficiently unusual to give it a clear reason to intervene. But by the time Mr D authorised payment 5, the pattern of payments looked distinctly unusual. The total amount was far more than Mr D usually spent, the payments had all gone to new payees and payment five itself was the third in less than ten minutes. This did not resemble Mr D's previous pattern of payments. I think that before processing payment 5, Monzo should have alerted Mr D that he may have been falling victim to fraud and checked the legitimacy of the payments with him

In correspondence with us, Monzo has said that even if it had intervened, Mr D may well have chosen to proceed anyway. But I disagree. I think that if Monzo had contacted Mr D, alerted him to the possibility of fraud and asked him about the payments, it's likely that he would have cancelled payment 5 and finished his contact with the fraudsters. So, he would never have made payments 6 to 11.

Monzo has pointed out that the payments did not go direct to the fraudsters but "*to private cryptocurrency sellers*", and that Mr D "*received the cryptocurrency into an account that was under (his) ownership and control*". It has described the payments from its account as "*legitimate journeys*". It has said that "*no loss happened at Monzo*", so doesn't think it should bear any of the cost of the fraud. It has added that buying and selling cryptocurrency is not regulated in the same way as many other financial transactions.

I accept Monzo's point that in effect Mr D used its account to buy cryptocurrency, and so did not transfer the money *direct* to the fraudsters. However, frauds of this type, where fraudsters use more than one stage to steal money, are not uncommon. And as far as I can tell the *sole* reason Mr D made the payments was to send money to the fraudsters. And it was the *pattern* of payments that was suspicious and which I think Monzo should have spotted, even as part of a multi-stage fraud. So, I do not agree with Monzo's statement that it has no responsibility for Mr D's loss.

Whilst I think Monzo should take some responsibility for Mr D's loss, in this case I don't think it would be fair and reasonable for it to bear the full cost, even from the point it should have intervened.

Although I accept that the fraudsters were persuasive, I think that the context of the fraud should also have alerted Mr D that things were not as they seemed, even if Monzo didn't intervene. For example, the fraudsters were pretending to offer him work in an industry in which he had no experience, hadn't followed a meaningful selection or interview process and didn't provide a contract. And they didn't give him a reasonable explanation for why he had to pay fees in cryptocurrency. I therefore think it's reasonable for Mr D and Monzo to equally share the losses from payments 5 to 11 (inclusive).

As well as trying to prevent the fraud happening, once Mr D reported it to Monzo, I would have expected it to try to recover his money for him. Time is of the essence in this, as once fraudsters have control over a victim's money, they usually move it on very quickly to stop any attempts at recovery succeeding.

I understand that Monzo didn't try to recover Mr D's money for him until several days after he had told it about the fraud. It was largely unsuccessful, although I understand that it may have recovered just under £160. It has mentioned that it had difficulty in confirming Mr D's identity, which led to delay. However, even if Monzo had acted promptly, as over two weeks had passed between the date of the last payment and the date Mr D reported the fraud, I doubt it would have had any further success. I don't think Monzo is at fault for not being able to recover most of Mr D's money.

So, in summary, I think that Monzo should have intervened at the time of payment 5 to alert Mr D that fraud could be taking place. Had it done so, I think the fraud would have stopped at that stage. It follows that Monzo should put things right for Mr D by paying him appropriate compensation, but I also think it's fair for Mr D to bear the cost of half of the losses from payment 5 onwards.

### **Putting things right**

To put things right for Mr D, Monzo should:

- refund him half of the value of each of payments 5 to 11 (inclusive),
- add simple interest at an annual rate of 8% to each refund from the date of the payments until the date it makes the refund.

For clarity, I would like to explain why this compensation differs in two small ways from that previously recommended by our investigator.

Firstly, when we add interest to refunds, we do so to compensate consumers for losing money they would have been able to use for other purposes. In this case, Mr D has told us that he borrowed the money he sent to the fraudsters (although he also mentioned that some of it came from savings). So, the investigator didn't think interest was appropriate, as Mr D would not have had access to the money. However, I have looked at Mr D's bank statements and it seems to me that the money came from the same source (which *may* have been a loan from a friend) as most of the rest of his income. I therefore think he may well have had these funds available. So, interest is appropriate. Indeed, in correspondence with us after the investigator's recommendation, both Mr D and Monzo seem to have assumed that the refunds would be subject to interest.

Secondly, the investigator noted that Monzo had taken longer than usual to respond to Mr D's complaint and so recommended that it should add £100 to the compensation for the distress and inconvenience this delay caused. While I can see that there certainly were delays in the way Monzo responded, it has apologised for them, and they weren't excessive. I am not therefore going to tell Monzo that it must add any more money to the refund. It may, of course, still do so as a gesture of goodwill if it so wishes.

Also, Mr D has also told us that at one stage, he did receive a small "wage" from the fraudsters. He hasn't told us much about this, but it was probably an enticement to make it look as if there was genuine work. It was in a foreign currency with a Sterling value of roughly £55. We sometimes allow banks to deduct returns from fraudsters such as this from the final compensation. The same applies to the money that Monzo may have recovered on Mr D's behalf. However, in this case, where the losses are to be shared equally, the amounts involved are quite small, and (in the case of the money the fraudsters paid) there are few details about how or when they sent the money back, I don't think such deductions are appropriate.

**My final decision**

For the reasons I've given above, I think Monzo Bank Ltd was partly responsible for Mr D's losses. Should Mr D accept this decision, then Monzo should put things right for him by paying him the compensation I set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 5 April 2024.

Steve Townsley  
**Ombudsman**