

The complaint

Mrs S complains that Monzo Bank Ltd ('Monzo') won't refund the money she lost after falling victim to a scam.

What happened

Mrs S's complaint has been brought by a professional representative, but as the account is in Mrs S's name – I'll refer to her throughout the decision.

In 2022, Mrs S saw an advert on a social media platform promoting cryptocurrency investment. Mrs S filled out her contact details and received a call the next day by a party I'll refer to as L. Mrs S says L was very knowledgeable and said her investment would be made through a company I'll refer to as B.

Mrs S was told to open an account with a genuine cryptocurrency platform, as well as an account with Monzo. Mrs S was told to move money from her account held with another bank to her Monzo account, onto her cryptocurrency account and finally to B. L opened an account with B for Mrs S and said he would make trades on Mrs S's behalf.

Mrs S can't recall what return she was told her investment would make, but says she checked an online review website in relation to B and saw positive reviews. She also checked the Financial Conduct Authority's website (FCA), but B wasn't on there. Mrs S says this wasn't surprising as she didn't believe B was a UK company. Mrs S doesn't have screen shots of B's website, but says it looked professional.

Mrs S initially made a small payment of £250 from a credit card account she held with another bank. Mrs S says the payment showed on her account with B which convinced her it was genuine.

After seeing her initial investment balance grow, Mrs S decided to invest further funds and L got Mrs S to download Anydesk, so he could guide her in making the transfers.

Below are the payments Mrs S made from her Monzo account.

Date	Details	Amount
4.8.2022	Payment to F – cryptocurrency platform Note: payment blocked by Monzo	£5,000
8.8.2022	<i>Withdrawal from investment</i>	<i>£512.90 cr</i>
11.8.2022	Payment to F – cryptocurrency platform Mrs S contacted Monzo and asked them to raise her daily limit to £25,000	£25,000
18.8.2022	Payment to F – cryptocurrency platform Mrs S contacted Monzo and asked them to raise her daily limit to £25,000	£10,000
18.8.2022	Payment to F – cryptocurrency platform	£15,000
15.9.2022	Payment to F – cryptocurrency platform Mrs S contacted Monzo and asked them to raise	£29,000

	her daily limit to £29,000	
20.9.2022	Payment to F – cryptocurrency platform Mrs S contacted Monzo and asked them to raise her daily limit to £58,000	£10,000
20.9.2022	Payment to F – cryptocurrency platform	£48,000
3.10.2022	<i>Withdrawal from investment</i>	£6,816.67 cr
16.11.2022	Payment to F – cryptocurrency platform	£8,500

The first payment that Mrs S attempted to make from her Monzo account was blocked by Monzo. Monzo had concerns that Mrs S may be the victim of a scam and asked Mrs S several questions about her payment through its in-app chat. Satisfied with the responses Mrs S gave, Monzo released the payment.

Mrs S watched her account balance with B increase and continued to make payments. On each of the subsequent days that Mrs S made payments out of her Monzo account, Mrs S had to contact Monzo and ask them to raise her daily transaction limit. Each time Monzo asked Mrs S questions about the payment through its in-app chat, and satisfied with the responses, increased Mrs S's limit temporarily for that day.

Mrs S says that L was calling her 2 to 3 times a week to discuss her trades which built a level of trust. L told Mrs S that if she didn't make money, he wouldn't either and that they were in it together. Mrs S was able to make an initial withdrawal from her investment a few days after her first payment, which persuaded her that the investment was genuine.

By October 2022, Mrs S's investment balance had grown substantially, and she asked to make a withdrawal, this was paid to her Monzo account. By November 2022, Mrs S's account with B was showing a balance of over \$1,000,000 and she asked to withdraw \$200,000, but L said she had to pay a substantial sum into the account to facilitate the withdrawal. Mrs S told L she only had £8,500 and was assured that if she transferred those funds to B, they would release some of the funds in her account.

After Mrs S made the last payment of £8,500, she kept contacting L asking when the withdrawal would be paid out and says she got a lot of excuses. Ultimately, in January 2023, when Mrs S hadn't received any money back and communication with L stopped, Mrs S realised she'd been the victim of a scam.

Mrs S raised a fraud claim with Monzo, who declined to refund her. Monzo say Mrs S's loss occurred on her cryptocurrency account, therefore they're not liable. They recommended that Mrs S get in touch with the cryptocurrency platform.

Mrs S wasn't happy with Monzo's response, so she brought a complaint to our service.

An investigator looked into Mrs S's complaint and didn't uphold it. The investigator felt Monzo had asked appropriate questions in relation to the payments, but Mrs S had provided inaccurate responses. The investigator also felt Mrs S had serious concerns about the investment but proceeded anyway.

Mrs S disagreed with the investigator's opinion, saying the questions that Monzo had asked weren't probing and they should've prevented her losses. Mrs S asked for an ombudsman to review her complaint.

Having reviewed the case, I intended to reach a different outcome than the investigator. So, I wanted to share my reasoning with both parties and give them the opportunity to respond. I issued a provisional decision on 14 February 2024.

My provisional decision

In my provisional decision I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In broad terms, the starting position in law is that Monzo are expected to process payments that a customer authorises it to make, in accordance with the terms and conditions of the customer's account and the Payment Services Regulations (PSR's).

While Monzo aren't a signatory to the Lending Standards Board's Contingent Reimbursement Model Code (the CRM Code), they've agreed to adhere to the provisions of the Code. However, it doesn't apply to this case as Mrs S made the payments to a cryptocurrency wallet in her own name before sending the funds to the scammer. This means I can't consider the payments under the framework of the CRM Code.

But, taking into account the law, regulators rules and guidance, relevant codes of practice and what I consider to have been 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 (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, or provided additional warnings, before processing a payment – as in practice all banks do.
- Have been mindful of – among other things – common scam scenarios, the evolving fraud landscape (including for example the use of multi-stage fraud by scammers) and the different risks these can present to consumers, when deciding whether to intervene.

In this case, Monzo blocked Mrs S's first payment because they had concerns that she could be the victim of a scam. The internal notes Monzo have provided highlight some of the reasons Monzo were concerned including, when Mrs S opened the account she'd said she intended to use it for occasional spending, but the activity didn't match this. Also, she was moving the entire balance out of an account that had only been opened the day before. It was also clear to Monzo that Mrs S was making payments to a cryptocurrency platform based on the payee name.

In response to their concerns, Monzo contacted Mrs S through their in-app chat. They asked her several questions and Mrs S's responses are in italics:

- What are you making the payment for? *To buy bitcoin through [name of cryptocurrency platform]*
- Is the crypto account in your name? (answer provided after next question asked)
- Can you confirm you opened the cryptocurrency account yourself, you have access to it, and it is solely in your control and nobody else's? *Yes to all the above*
- How did you first come across this investment platform? *I read about it online*
- Has anyone given you any investment advice or guidance on this at all? *No one has given me any advice, I'm doing this by myself*

Since January 2019 cryptocurrency scams have increased in frequency, in 2022 when Mrs S made her payments, Monzo should've been alive to this type of scam. I'm not satisfied that the questions Monzo asked Mrs S went far enough, and I think they should've called Mrs S to ask more open probing questions.

I think a simple discussion about what she knew about cryptocurrency investment, where online she found the information, why she was moving money from another bank account to Monzo before moving it to a cryptocurrency platform, and why she'd opened an account with Monzo – would've made Monzo aware that she was the victim of a scam.

I also think Monzo should've been concerned when only a couple of days later Mrs S asked to increase her daily transaction limit to £25,000, which is a significant increase on her initial payment of £5,000. Mrs S then contacted Monzo on each of the subsequent days she made payments to increase her daily limit each time, other than for the last payment. The pattern of payments is typical of a scam, yet each time Monzo only asked Mrs S in-app questions, without calling Mrs S to find out more.

While Mrs S was told to lie about whether or not she was being given advice about the investment, I haven't seen anything that suggests she was given a full cover story, or that she would be able to answer probing questions to Monzo's satisfaction.

So, I'm not satisfied that Monzo's intervention went far enough based on the scam risk they identified which caused them to block Mrs S's payment. On that basis, I intend to ask Monzo to refund Mrs S for all of the payments she made.

However, I also have to consider whether Mrs S should share any liability for her loss. In this case, I'm satisfied that a deduction should be made to the refund I'm asking Monzo to pay, as I think Mrs S should've taken steps to mitigate her loss.

When Mrs S was contacted by Monzo for the first payment, Monzo provided an on-screen warning which included the following points as signs of an investment scam:

"Legitimate investments aren't arranged over social media or other messaging apps
Legitimate investments/traders will never ask you to download remote access/viewing apps
Legitimate investment companies are registered with the FCA – you can check this here"

This should've resonated with Mrs S because:

- She had found the investment on a social media platform.
- All of the messages that she shared with our service between her and L, were made on a messaging app – although I appreciate that she also had calls with him.
- L got Mrs S to download Anydesk which allowed him to remote view her screen, which he explained to her.
- While Mrs S wasn't concerned that B wasn't on the FCA website when she checked, it should've caused her some concern when Monzo were telling her that legitimate companies would be on there.

I'm also concerned that L told Mrs S to lie to the bank when asked about the payment, saying that Mrs S had to tell them that she was doing it herself without any advice. This should've been a real concern to Mrs S as no legitimate trader or investment would ever recommend that she lie to a bank. As we only have some of the messages between L and Mrs S, I can't see whether Mrs S questioned this. Also, it's unclear why Mrs S was told to open an account with Monzo and why she couldn't just do the transfers from her account held with another bank – again it's not clear what she was told or whether she questioned this.

I appreciate that this was a sophisticated scam, where a fake website was used, and that L contacted Mrs S on a regular basis and built up a rapport and trust with her. But, I think the warning she saw online when Monzo blocked the first payment, combined with Monzo telling Mrs S that they'd blocked her payment for review as they had concerns, should've concerned Mrs S. I think a reasonable person would've done more checks or sought independent advice before proceeding with the payments. On that basis, I think it's fair for Mrs S to share responsibility for her loss with Monzo and reduce the refund by 50%.

Mrs S made payments totalling £150,500 from her Monzo account. But she was able to withdraw £7,329.57 from her investment, which reduces her outstanding loss to £143,170.43. Monzo should refund 50% of that outstanding loss and pay 8% simple interest per year, calculated from the date Mrs S made the payments until the date of settlement.

My provisional decision was that I intended to uphold this complaint.

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.

Both Mrs S and Monzo responded saying they accepted my provisional decision and provided no further evidence for consideration.

As both parties have accepted my provisional decision, I see no reason to reach a different answer. On that basis, I'm satisfied this complaint should be upheld and Mrs S and Monzo should share responsibility for her loss. And, Monzo should refund 50% of Mrs S' outstanding loss of £143,170.43, and pay 8% simple interest per year on that refund, calculated from the date Mrs S made the payments until the date of settlement.

Putting things right

To put things right, Monzo Bank Ltd should:

- Refund Mrs S 50% of her outstanding loss of £143,170.43

- Pay simple interest on that refund at 8% per year, calculated from the date the payments were made until the date of settlement*

* If Monzo considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs S how much it's taken off. It should also give Mrs S a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

My final decision is that I uphold this complaint and require Monzo Bank Ltd to compensate Mrs S as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 11 April 2024.

Lisa Lowe
Ombudsman