

The complaint

Mr F has complained Monzo Bank Ltd won't refund money he lost as the result of a scam.

What happened

After expecting a pay-out following a car accident, Mr F was reviewing potential cryptocurrency investments. He joined a crypto investment group and got advice from someone who told Mr F what investment platform to use.

Mr F already held an account with an online platform used for buying and selling cryptocurrency (who I'll call C). In January 2023 Mr F received money from an insurance company and paid this into his account with Monzo.

He then started to send money to C which was used to buy cryptocurrency on the platform recommended by the fraudster. From January to March 2023 Mr F spent £6,320 only to realise that his investments were completely bogus, and he'd lost all his money. He complained to Monzo who wouldn't refund him as they believed he'd sent money to another account in his own name, so the loss wasn't from his account with Monzo, but from C.

Mr F brought his complaint to the ombudsman service.

Our investigator believed Monzo should have identified what was happening. She asked them to repay half of Mr F's losses from the fourth payment onwards.

Mr F accepted this outcome. Monzo disagreed as they didn't believe Mr F's losses were at the point his money left his account with them.

Mr F's complaint has been referred to an ombudsman.

I completed a provisional decision on 19 March 2024. I felt that Monzo should refund slightly more money to Mr F and explained why.

Mr F accepted this outcome. Monzo didn't respond.

I now have all I need to complete my final 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.

Having done so, I'm reaching the same outcome as I did in my provisional decision. I'll explain why.

Where there is a dispute about what happened, I have based my decision on the balance of probabilities. In other words, on what I consider is most likely to have happened in the light of the evidence.

I don't dispute Mr F was scammed and has lost a considerable amount of money which he'd expected to use for the birth of his child. He has my sympathy about what he has gone through.

There's no dispute that Mr F made and authorised all seven payments. Mr F believed he was loading up his account with C and trading on another cryptocurrency platform.

I'm satisfied the transactions were authorised under the Payment Services Regulations 2017

It's generally accepted that Monzo has an obligation to follow Mr F's instructions. So in the first instance Mr F is presumed liable for his loss. But that's not the end of the story.

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 been monitoring accounts and payments made or received to counter various risks, including fraud and scams, money laundering, and the financing of terrorism.
- 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). This is particularly so given the increase in sophisticated fraud and scams in recent years, which financial institutions 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 its customers from the possibility of financial harm.

Mr F fell victim to a cryptocurrency scam. These unfortunately aren't particularly unusual but are invidious in the way those carrying out the scam inveigle themselves into someone's trust.

At no stage did Monzo intervene or ask Mr F what he was doing. I consider that Monzo should have done more to identify the payments Mr F was making to C. And if they'd done so, I believe this would have meant Mr F would have become aware he was the victim of a scam.

I say this because:

- It's clear from Monzo's own evidence of discussions with Mr F, that they knew on 25 January 2023 that Mr F was concerned about making two relatively small payments of £210 and £250 and had tried to ask Monzo to get this money back on his behalf. He was also concerned about his mental health and the forthcoming birth of his child. Monzo noted Mr F was vulnerable.
- Monzo should have been alert to the increasing value of payments Mr F was making and that Mr F continued to send payments to C despite being alarmed by his own behaviour.
- The use of accounts held with C for cryptocurrency is known as these are frequently used by fraudsters masquerading as genuine investment opportunities. This is what happened to Mr F.

- Mr F made a further payment on 30 January of £1,000. I believe Monzo should have taken action at this stage, based on what they knew about Mr F's welfare and his concern about making "*stupid decisions*" investing in cryptocurrency.
- As Monzo was alert to Mr F's condition, I believe they should have intervened when Mr F made the third payment for £1,000.

I can't be sure that if Monzo had intervened, Mr F would have listened to their warnings, but I've seen nothing which would indicate that he wouldn't. It's the case that Mr F already had concerns and had not been given any story by the fraudster to tell Monzo. And to be told by one's bank, that further payments were inadvisable would, I believe have convinced Mr F to behave otherwise.

I appreciate Monzo's stance that Mr F made transfers to an account in his name so believe he should pursue a complaint with C as that's where the loss took place. The account with C trades fully in cryptocurrency so I think this would never have highlighted the risks Mr F faced. So I'm satisfied the loss happened when Mr F made the payments from his Monzo account.

Putting things right

I'm going to be asking Monzo to only pay half of Mr F's losses from the time I believe they should have intervened. This amounts to £2,930. I say this because:

- Mr F had a history of investing in cryptocurrency so would have been aware of some of the noise around potential scams. But he was still prepared to trust what he was being told within a WhatsApp group.
- Mr F tried to check reviews of the fraudster he was in discussion with. He also had serious misgivings about his own capacity to make the right decision to invest but he continued to do so.

8% simple interest a year will also need to be added to this amount from the date of Mr F's losses.

My final decision

For the reasons given, my final decision is to instruct Monzo Bank Ltd to:

- Refund £2,930 to Mr F; and
- Add 8% simple interest to the amounts he lost from the date of the original payments to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 16 May 2024.

Sandra Quinn
Ombudsman