

The complaint

Miss M complains that Monzo Bank Limited won't refund her after she fell victim to an investment scam.

What happened

Miss M has explained that while on a social media platform, she came across a company claiming to offer investment trading performed by artificial intelligence, with substantial returns. When discussing this with her friends, she found they'd also heard of the company through word of mouth. Miss M saw that the company ran large scale live events, online meetings and also had an instant messaging chat group with a large number of participants.

Miss M attended an online event with other members where she was shown how trading works, along with live withdrawal demonstrations and testimonials. Based on this, Miss M was reassured the opportunity was legitimate and began making deposits. From 25 October 2023 until 21 November 2023, Miss M made 18 card payments, totalling £13,975.08 towards two different cryptocurrency platforms. However, queries were then added to the group chat by other members who had attempted, unsuccessfully, to make withdrawals and the company's contacts became unreachable. At this point Miss M became aware she had fallen victim to a scam, and contacted Monzo on 27 November 2023 to raise a claim.

Miss M did make two further payments towards the scam after this point, totalling £182.99, as she's explained another individual contacted her, suggesting they can get her previously paid funds sent back to her if this amount was paid. Unfortunately, this was also a further part of the scam, and Miss M also lost these funds to the fraudster. Overall, the following payments were made towards the scam:

Date of payment	Payment value
25/10/23	£880
03/11/23	£200
04/11/23	£260
09/11/23	£500
11/11/23	£270
15/11/23	£150
16/11/23	£205
16/11/23	£433.46
20/11/23	£525
20/11/23	£240
20/11/23	£235
20/11/23	£234.58
21/11/23	£0.08
21/11/23	+£0.08
21/11/23	£5,099.50
21/11/23	£3,059.70
21/11/23	£1,019.90
21/11/23	£509.95

21/11/23	£152.99
30/11/23	£81
30/11/23	£101.99

Monzo didn't provide a response to Miss M's fraud claim within the permitted time scales, so Miss M referred the complaint to our service. She explained she was unhappy that Monzo hadn't intervened at any point to warn her about scams such as this. She raised the Consumer Duty standards, which require firms to '*avoid causing foreseeable harm*' to customers. She also thought Monzo had communicated poorly with her during the complaints process and failed to update her appropriately, which exacerbated her anxiety.

An investigator considered the complaint and upheld it in part. She thought that the payment Miss M made of £5,099.50 was sufficiently out of character, based on Miss M's typical spending, that Monzo ought to have intervened at this point and questioned Miss M further. She thought that had Monzo done so, the scam would've come to light at this point, avoiding further payments being made. However, she also thought there were sufficient red flags about the scam that ought to have caused concern for Miss M. She therefore thought it was fair that liability for Miss M's losses, from her payment of £5,099.50 onwards, should be split equally between Miss M and Monzo. The investigator also thought Monzo should pay £150 to acknowledge the additional financial and emotional distress caused to Miss M as a result of its communication delays.

Miss M agreed with this outcome, but Monzo didn't. It said that as Miss M made payments to her own cryptocurrency wallet before transferring funds onto the fraudster, the loss did not occur from her Monzo account and it is therefore not liable for the losses. Monzo also didn't agree that intervention in any event would've made a difference. It considered that, based on elements of the scam such as large live events, and Miss M having been investing for around a month by the point of suggested intervention, she may have proceeded in spite of warnings presented. It considers this view is supported by Miss M proceeding to make two further payments towards the scam, even after the scam was uncovered.

As Monzo disagreed with the investigator's outcome, the complaint has been referred to me for a 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.

In deciding what's fair and reasonable in all the circumstances of a complaint, I am required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

In broad terms, the starting position at law is that firms are expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.

However, taking into account longstanding regulatory expectations and requirements and what I consider to have been good industry practice at the time, Monzo ought fairly and reasonably to have been on the look-out for the possibility of fraud and have taken additional steps, or made additional checks, before processing payments in some circumstances.

In addition, since 31 July 2023 when the Financial Conduct Authority's Consumer Duty came into force, there are additional obligations on firms to avoid foreseeable harm to customers. And as Miss M made the scam payments by card, Monzo would also have had additional information available to it, regarding the destination of funds and that they were therefore going to cryptocurrency platforms. Monzo ought to have been aware that payments to cryptocurrency carried an elevated risk of fraud and also ought to have been asking additional questions to establish the actual scam risk present.

The payment of £5,099.50 Miss M made was out of character based on her typical account use – being the highest value payment that year and to a cryptocurrency provider also. I think on this basis Monzo ought to have intervened and questioned the payment further.

Monzo has said that, had it intervened, Miss M may have proceeded in spite of warnings, based on the large scale of the scam in place and the longevity of Miss M's investments. As Monzo *didn't* intervene, I can never be certain of what would've happened in an intervention call. However, some of the standard questions I would expect Monzo to have asked would include how Miss M became aware of the investment, is she able to successfully withdraw her funds, and are her funds held in her own account and controlled by her. Based on the answers Miss M would've given to these questions alone, I think it would've become clear to Monzo that Miss M was at risk of financial harm from fraud. Had it made Miss M aware of these concerns and suggested Miss M attempts to withdraw her funds prior to investing further, I think the scam would've been uncovered and further payments avoided.

Monzo has said that further payments made by Miss M after the scam was uncovered also demonstrate she would've proceeded regardless of any warnings it presented her with. As I've explained, these payments were a supplementary element of the scam where Miss M believed she may be able to recover money taken by the fraudsters. I don't believe this demonstrates, as Monzo suggested, that Miss M continued making payments towards the scam itself after becoming aware it wasn't legitimate.

I'm also satisfied that Monzo can fairly and reasonably be held liable for Miss M's losses, despite her moving funds to a wallet in her own name before sending them to the fraudster. I say this because the potential for multi-stage scams such as this ought to have been well known to Monzo at the time and Monzo therefore ought reasonably to have been alert to payments presenting an additional scam risk, including the hallmarks of a multi-stage scam where payments to accounts in a customer's name are more commonplace.

Overall, I think that from the payment I've highlighted as suspicious onwards, Monzo could've done more to reasonably protect Miss M from foreseeable harm and had it done so, further losses towards this scam could've been avoided. I therefore think Monzo should be held liable, in part, from the payment of £5,099.50 onwards.

I've therefore gone on to consider whether Miss M should also be held responsible in part for losses from this point onwards. Miss M has already accepted the investigator's view that she should be held equally liable for her losses. I therefore won't go into detail on this point except that I agree with the investigator's view on this. I agree that Miss M ought to have conducted further independent research, and expected further paperwork before proceeding to make payments and that the levels of returns promised were unrealistic in the circumstances. I therefore think it's fair for Miss M to be held equally liable for her losses and for Monzo to therefore reimburse 50% of the payments from the point it ought to have intervened.

Once made aware of the scam I don't think there's anything further Monzo could have done to recover Miss M's losses. Payments were made by card to a cryptocurrency wallet in her

own name. I therefore don't think there were any enquiries Monzo could have made to recover funds, as these would be directed against Miss M's own cryptocurrency wallet.

Lastly, I've considered the service Miss M received from Monzo after raising the claim with it. Monzo failed to provide a response to Miss M before she referred her complaint to our service, even after she allowed additional time for it to do so. Miss M has explained how the lack of communication from Monzo and lack of help logging her claim when requested exacerbated her anxiety she already experiences. I think the award suggested by the investigator of £150 is a fair sum to reflect this additional distress Monzo caused Miss M.

My final decision

My final decision is that I uphold Miss M's complaint against Monzo Bank Limited and direct it to:

- Refund 50% of payments made towards the scam, from (and including) her payment on 21 November 2023 of £5,099.50.
- Apply 8% interest, from the date the payments were made, until the date of settlement
- Pay a further £150 compensation for additional distress caused

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 5 August 2024.

Kirsty Upton
Ombudsman