

The complaint

Mr W complains that Monzo Bank Ltd didn't do enough to protect him from the financial harm caused by an investment scam, or to help him recover the money once he'd reported the scam to it.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

In May 2022, Mr W saw an advert on social media for an investment company which I'll refer to as "W". The advert claimed W was an investment service for beginners and Mr W followed a link to the website, noting it appeared very professional and featured an 'About Us' section, a 'Contact Us' section, and a 24/7 live chat customer support option.

Mr W searched for W on Google and discovered there were no negative reviews and that it was registered on Companies House. He completed an online contact form and was then contacted by someone I'll refer to as "the scammer" who said he was investment broker. The scammer said he would provide advice on various cryptocurrencies and trends in the market to boost returns on Mr W's trading account. He sent Mr W a link to a trading platform, instructing him to open an account, which required him to provide his name, email address, and a form of ID before creating log in details for the platform.

The scammer instructed him to download AnyDesk remote access software which would allow him to invest on his behalf and explained all traders begin with a minimum investment of £250, which Mr W paid from another of his accounts.

The scammer set up an account for Mr W with a cryptocurrency exchange which I'll refer to as "C" and told him that due to the condition of the market a profit was guaranteed so he should invest more. He asked him to first purchase cryptocurrency through a C and then load it onto an online wallet. On 2 June 2022 and 3 June 2022, he made three faster payments to C for £2, £1,913, and £2,500 having transferred funds into the account from an account he held with Bank S.

On 3 June 2022, Mr W attempted to make a further payment of £2,499, which was flagged as suspicious on Monzo's systems. He contacted Monzo via its live-chat facility and was asked about the purpose of the payment. He confirmed he recognised the payment and that he was funding his online trading account through a cryptocurrency wallet. Monzo told Mr W there was a possibility that the investment was a scam and provided a tailored scam warning specific to cryptocurrency investment scams. Mr W didn't make any further payments to the scam from his Monzo account.

Mr W realised he'd been scammed when he attempted to withdraw funds from the trading account. He was told he'd have to pay a withdrawal fee otherwise he wouldn't be able to withdraw his funds. Mr W refused to pay the fee because he hadn't previously been told about it.

He contacted Monzo with the assistance of a representative who said it should have intervened when Mr W made the second transfer because of the value and frequency of the payments, and if it had questioned him and provided the necessary scam education it would have prevented the scam from escalating.

Monzo explained that it had reached out to Mr W on 3 June 2022 when it refused to make the payment and provided information regarding common scams. It further commented that Mr W was promised unrealistic returns, he didn't complete checks on the individuals he was speaking to, he didn't sign any contracts and received no documentation. And it argued that anyone can add to Companies House, and he didn't receive any withdrawals before investing further. Finally, it said it was unable to reimburse the third payment because it was facilitated by an unauthorised loan taken out in Mr W's name by a third party, so he, should contact the loan provider.

Mr W wasn't satisfied and so he complained to this service with the assistance of his representative who argued that Monzo had failed to protect him from the risk of fraud. They said it had multiple opportunities to stop the payments going through and Mr W didn't recall seeing any in-app warnings whilst making the payments.

The representative said Monzo should have intervened because Mr W was making payments to a new payee linked to cryptocurrency and it failed to pick up on known fraud indicators including multiple unusually high payments in quick succession, which represented a sudden increase in spending and a depletion of funds in the account. They said the payments were unusual because they were high value payments to a new payee and Monzo should have contacted Mr W to inform him about the possibility of a scam.

They said Monzo ought to have asked Mr W whether he'd been coached to lie, whether he'd been promised an unrealistic rate of return, whether there were any third parties involved and if so how he met them, and had it done so as he was confident the investment was genuine he'd have told the truth and it would have established Mr W was taking advice from an account manager and the scam would have been detected.

Our investigator didn't think the complaint should be upheld. She explained that prior to the scam, the highest payment Mr W had made from his Monzo account was for £130. But she didn't think it needed to flag any of the first three payments because she didn't think they were suspicious.

Our investigator also considered whether Mr W had authorised the third payment because of his suggestion that the scammer had done so remotely without his knowledge. But as Monzo had produced evidence that the payment had been authenticated using his mobile device, she was satisfied he'd authorised the payment himself.

She was satisfied payment four was unusual because it was the second, unusually high value payment Mr W had made that day and so she felt it was right for Monzo to have intervened. But it stopped the transfer from being processed and provided a tailored scam warning specific to cryptocurrency investment scams. She noted Mr W didn't make any further payments to the scam from his Monzo account after this payment, so there was nothing further it could have done to prevent his loss.

Finally, she accepted Mr W's vulnerabilities had impacted his susceptibility to being scammed, but she explained Monzo wasn't made aware of those vulnerabilities prior to the scam so she couldn't reasonably expect it to have taken them into account when considering any potential risk of financial harm.

Overall, she was satisfied Monzo intervened at the right time and as the payment was blocked and Mr W didn't make any further payments to the scam from his Monzo account there wasn't anything else it could have done to prevent his loss.

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've reached the same conclusion as our investigator. And for largely the same reasons. I'm sorry to hear that Mr W has been the victim of a cruel scam. I know he feels strongly about this complaint, and this will come as a disappointment to him, so I'll explain why.

I'm satisfied Mr W 'authorised' the payments for the purposes of the of the Payment Services Regulations 2017 ('the Regulations'), in force at the time. So, although he didn't intend the money to go to scammers, under the Regulations, and under the terms and conditions of his bank account, Mr W is presumed liable for the loss in the first instance.

Regarding the third payment, the transfer was authenticated through the Monzo app using Mr W's registered device. This couldn't have happened remotely, so I'm satisfied the payment was properly authenticated. And Mr W has stated that no one knew the password for his phone or the PIN for his Monzo app. So, it's unlikely the transaction was made by someone acting without his permission, so I'm satisfied he consented to it.

There's no dispute that this was a scam, but although Mr W didn't intend his money to go to scammers, he did authorise the disputed payments. Monzo is expected to process payments and withdrawals that a customer authorises it to make, but where the customer has been the victim of a scam, it may sometimes be fair and reasonable for the bank to reimburse them even though they authorised the payment.

Prevention

I've thought about whether Monzo could have done more to prevent the scam from occurring altogether. Buying cryptocurrency is a legitimate activity and from the evidence I've seen, the payments were made to a genuine cryptocurrency exchange company. However, Monzo ought to fairly and reasonably be alert to fraud and scams and these payments were part of a wider scam, so I need to consider whether it did enough when Mr W tried to make the payments. If there are unusual or suspicious payments on an account, I'd expect Monzo to intervene with a view to protecting Mr W from financial harm due to fraud.

The first three payments didn't flag as suspicious on Monzo's systems. I've considered the nature of the payments in the context of whether they were unusual or uncharacteristic of how Mr W normally ran the account, and I don't think they were. The payments were to a legitimate cryptocurrency exchange company and while they were larger than the usual spending on the account, they weren't so large that Monzo needed to intervene.

When Monzo did intervene, the payment was blocked and Mr W was given a cryptocurrency investment scam warning, after which he made no further payments to the scam from his Monzo account. And I'm satisfied a further payment on 6 June 2022 wasn't part of the scam because Mr W was sending funds back to Bank S, and they weren't paid out to the scam. So, there were no further opportunities to intervene.

Because I'm satisfied that Monzo intervened at the right point and that its actions were proportionate and effective when it did intervene, I don't think it missed any opportunities to prevent Mr W's loss and so I can't ask it to do anything to resolve this complaint.

Compensation

Mr W isn't entitled to any compensation.

Recovery

I don't think there was a realistic prospect of a successful recovery because Mr W paid an account in his own name and moved the funds onwards from there.

Overall, I'm satisfied Monzo took the correct steps prior to the funds being released – as well as the steps it took after being notified of the potential fraud. I'm sorry to hear Mr W has lost money and the effect this has had on him. But for the reasons I've explained, I don't think Monzo is to blame for this and so I can't fairly tell it to do anything further to resolve this complaint.

My final decision

For the reasons I've outlined above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 25 October 2024.

Carolyn Bonnell
Ombudsman