

The complaint

Mrs M complains that Monzo Bank Ltd (“Monzo”) didn’t do enough to protect her when she fell victim to a scam.

What happened

The details of this complaint are well known to both parties, so I won’t repeat them again in full here. Instead, I’ll summarise what happened and focus on giving the reasons for my decision.

Between 29 December 2023 and 10 January 2024, Mrs M made payments to a cryptocurrency exchange totalling over £17,000. She’d fallen victim to an employment scam, believing that she’d receive commission for completing tasks. But, in order to complete these tasks, she was required to use her own funds.

Upon realising she’d fallen victim to a scam, Mrs M complained to Monzo. But it didn’t uphold her complaint. It said she’d authorised the payments and that it wasn’t the point of loss as the payments were made to a cryptocurrency account in Mrs M’s name. It also said there were insufficient grounds to raise a chargeback, as the crypto exchange would have provided the service it was required to – the exchange of funds.

Unhappy with this, Mrs M referred the complaint to our Service. Our investigator upheld the complaint from the third payment on 30 December – a payment of £1,800 – which brought spending on that day to cryptocurrency to £3,060. She felt that Monzo ought to have been concerned about the payments being made based on the recipient, amount, frequency and pattern of spending. But Monzo didn’t intervene or provide a scam warning.

The investigator concluded that a proportionate intervention would likely have made a difference, as Mrs M believed she was carrying out tasks for legitimate employment so likely would have been honest in any interactions with Monzo. But she also thought that Mrs M’s actions meant she should share liability, given the multiple ‘red flags’, including the need to use her own funds to pay when this was supposedly her means of employment.

The investigator also noted that some of the payments had been funded by third parties, who had supposedly needed assistance with buying currency to complete their own tasks as part of the scam. So, the overall recommendation was that Monzo refund 50% of the payments from (and including) the £1,800 payment, excluding the payments that were funded by the third parties, plus 8% simple interest from the date of payments to the date of settlement.

Mrs M accepted this. But Monzo didn’t respond by the deadlines set. So, the complaint was passed to me.

I got in touch with Monzo informally, as the rules we follow allow, to let it know how I was minded to proceed. In summary, I was inclined to agree with the outcome reached by our investigator as Monzo should have identified Mrs M was at risk of financial harm. I said it should have provided a warning from the £1,800 payment and asked questions to narrow

down the specific scam risk, which would likely have unravelled the scam very quickly. But I agreed that a 50% deduction felt appropriate.

Monzo disagreed. Despite clear indication from our Service as to the expectation of respondent firms in similar circumstances by way of previous decisions, it didn't deem Mrs M's account activity to be unusual. And it focused on the number of other customers paying the same cryptocurrency exchange for the first time where it hasn't later been reported as fraud. It doesn't feel that the payments warranted an intervention. So, it didn't agree to resolve this complaint informally. As a result, I'm now issuing 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 upholding this complaint in part, in line with our investigator's recommendation and my subsequent communication.

In deciding what's fair and reasonable, I'm required to take into account relevant law and regulations, regulators' rules, guidance and standards, and codes of practice; and, where appropriate, I must also take into account what I consider to have been good industry practice at the time.

In broad terms, the starting position is that Monzo would be expected to process payments 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.

But, I'm satisfied that, to comply with regulatory requirements (including the Financial Conduct Authority's "Consumer Duty"), which requires financial service firms to act to deliver good outcomes for their customers) Monzo should, in December 2023, have been on the look-out for the possibility of fraud and taken additional steps, or made additional checks, before processing payments in some circumstances.

In this case, Mrs M had held the account with Monzo for some time. And she didn't have a recent history of making large payments, nor did she make payments that were identifiably to cryptocurrency. On the second day of making payments to a cryptocurrency exchange, the third payment brought the spending on cryptocurrency to £3,060 in a single day. And, by December 2023, Monzo should have been aware of the elevated risk of fraud where payments are made to cryptocurrency.

So, at the point of making the payment of £1,800, I would have expected Monzo to provide a tailored written warning, having asked questions to try to establish the actual scam risk. The payments were identifiably being made to cryptocurrency and, as scams involving cryptocurrency have become increasingly diverse, I would have expected Monzo to have tried to narrow down the risks further. Given the prevalence of job scams, I'd have expected Monzo to have questions and warnings tailored towards the key risks of these scams. Seemingly, it didn't provide a scam warning or intervene.

Had Monzo asked questions, I see no reason why Mrs M wouldn't have been honest in her answers. As far as she was aware, this was a legitimate employment opportunity and I've seen no evidence from the communication between her and the scammer that she was encouraged to mislead. So, I would have expected her answers to lead to a warning tailored to employment scams, given that this was in December 2023.

If Mrs M had been given a proportionate warning that was suitably tailored to her situation, I

think it's likely this would have resonated with her. I say this as I'd have expected the warning to reference being asked to make payments using her own money, amongst other things. So, I think appropriate intervention would have quickly unravelled the scam.

For this reason, I think Monzo should have recognised that Mrs M might have been at risk of financial harm from the payment of £1,800. Had it done so, I'm persuaded it would have prevented the losses she suffered. The fact that the money used to fund the scam came from elsewhere and wasn't lost at the point it was transferred to Mrs M's own account doesn't alter that fact and I think Monzo can fairly be held responsible for her loss in such circumstances. In saying this, I'm conscious that some of the funds came from third parties – so I would only hold Monzo liable for the funds that belonged to Mrs M. It's clear from the evidence I've been provided which money came from other parties and this has been clearly set out by our investigator.

But I've also thought about whether Mrs M should bear any responsibility for her loss. I note that she has already agreed with the investigator's findings on this point. But, for completeness, I'll address this. I recognise that there were relatively sophisticated aspects to this scam. But, all things considered, the scam appears to have been fairly implausible. I haven't seen everything Mrs M saw but I think she ought to have questioned whether the activity she was tasked with, which doesn't appear to be particularly time-consuming or difficult, could really be capable of generating the returns promised. And she had to use her own funds to take part, which quickly led to borrowing from loved ones and selling assets. So, I think she ought to have realised the job wasn't genuine.

On balance, I think it would be fair to reduce Monzo's liability because of Mrs M's role in what happened. So, I think a fair deduction is 50%.

Putting things right

Monzo Bank Ltd needs to refund Mrs M for payments from (and including) the £1,800 payment, excluding the payments that were sourced from the third parties, with a deduction of 50% for contributory negligence.

It also needs to add 8% simple interest per annum from the dates of loss to the date of settlement.

My final decision

For the reasons given above, my final decision is that I uphold this complaint. I require Monzo Bank Ltd to put things right for Mrs M as set out above within 28 days of acceptance of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 24 December 2024.

Melanie Roberts
Ombudsman