

The complaint

Mr H is being represented by solicitors. He's complaining about Monzo Bank Ltd because it won't refund money he lost as the result of fraud.

What happened

Sadly, Mr H has fallen victim to a cruel investment scam. In November 2023, after he was introduced to what he believed was a genuine investment opportunity by work colleagues, he began moving money from his account with Monzo to a cryptocurrency exchange and then used to it 'invest' with an online investment service called Coscoin, For a period of time it appeared he was generating profits and he continued to transfer more money, some of which was funded by taking out a loan. Mr H realised this was a scam when he realised wasn't able to withdraw his money.

Mr H made the following payments to the cryptocurrency exchange:

Date	Amount £
6 November	400
10 November	10
13 November	10,000
15 November	50
15 November	80
15 November	1.55
15 November	2
15 November	13
17 November	250
21 November	240

Payments totalling around £320 were returned but I understand the rest of the money Mr H paid was lost.

Our investigator didn't recommend the complaint be upheld. She felt Monzo should have intervened before processing the £10,000 payment but that an appropriate intervention ultimately wouldn't have prevented Mr H from going ahead with the payments.

Mr H didn't accept the investigator's assessment. His representative argues that a lack of intervention from Monzo denied him the chance to realise he was being scammed before the payments were finalised. It says Monzo would have been able to identify he was the victim of a scam and it shouldn't be assumed that an appropriate intervention wouldn't have made a difference.

The complaint has now been referred to me for review.

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 overall conclusions as the investigator, and for broadly the same reasons. I haven't necessarily commented on every single point raised but concentrated instead on the issues I believe are central to the outcome of the complaint. This is consistent with our established role as an informal alternative to the courts. In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

In broad terms, the starting position at law is that a bank such as Monzo is expected to process payments a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of their account. In this context, 'authorised' essentially means the customer gave the business an instruction to make a payment from their account. In other words, they knew that money was leaving their account, irrespective of where that money actually went.

In this case, there's no dispute that Mr H authorised the above payments.

There are, however, some situations where we believe a business, taking into account relevant rules, codes and best practice standards, shouldn't have taken its customer's authorisation instruction at 'face value' – or should have looked at the wider circumstances surrounding the transaction before making the payment.

Monzo also has a duty to exercise reasonable skill and care, pay due regard to the interests of its customers and to follow good industry practice to keep customers' accounts safe. This includes identifying vulnerable consumers who may be particularly susceptible to scams and looking out for payments which might indicate the consumer is at risk of financial harm.

Taking these things into account, I need to decide whether Monzo acted fairly and reasonably in its dealings with Mr H.

I've considered what Monzo knew about the payments at the time it received the payment instructions. In view of the relatively low amounts involved, I'm not persuaded it ought to have been concerned about the first two payments on 6 and 10 November.

But I think Monzo should have identified that Mr H was at risk of fraud when he instructed the payment of £10,000 on 13 November as it was out of character with previous activity on the account. It was a large payment that matched the daily faster payment limit and followed immediately after the receipt of a loan for £10,000 paid in on the same day. And crucially, Monzo knew or ought to have known it was going to a cryptocurrency provider. Losses to cryptocurrency fraud reached record levels in 2022 and, by the end of that year, many high street banks had placed restrictions or additional friction on cryptocurrency purchases owing to the elevated fraud risk. So, by the time this payment took place, I think Monzo should have recognised that payments to cryptocurrency carried a higher risk of being associated with fraud.

In spite of these warning signs, it's my understanding that no intervention was attempted.

I've thought very carefully about what sort of intervention Monzo should have carried out and the effect this might have had. In view of the identifiable risks attached to the payment, I think a human intervention should have been carried out and that would have involved someone from the bank contacting Mr H to ask questions about the reason for the payment and how it came about. The sort of questions I'd have expected Monzo to ask are as follows:

- the purpose of the payment;
- how he found out about the investment opportunity;
- if he'd been approached about the investment opportunity out of the blue;
- if there was a third party or broker helping Mr H with his trades;
- if so, had the third party told him to be untruthful if asked about the reasons for the payment;
- if he'd been asked to download any screen-sharing software such as AnyDesk or TeamViewer;
- what returns he was expecting;
- if he'd already received any returns; and
- what independent checks he'd carried out on the investment platform.

Mr H's representative has said he would have given honest answers to such questions and I've no reason to disbelieve that. This means he would have shared the following information that he told us when referring his complaint:

- Throughout 2023, he saw a number of adverts and promotions for cryptocurrency investments. He had some previous investment experience and was attracted by the possibility of supplementing his income.
- Several of his colleagues, who also turned out to be victims of the scam, referred him to an online investment service called Coscoin and provided a link for him to set up an account. His colleagues advised told him they'd been investing with the help of the company and showed him the profits they'd made. They also showed him that they'd withdrawn their profits into their own accounts.
- The website seemed professional and legitimate, and he believed it was a genuine company due to the strict security procedures in place. It featured an '*about us*' section, a '*contact us*' section, and a 24/7 live chat customer support option.
- He created a username, password, and after providing his identification, was able to log into his account. This reassured him that it was a genuine company, as he believed only legitimate companies would enforce strict security procedures.
- Having his own log-in details for the platform and the ability to monitor his account also gave him a sense of security that he'd be in control of the funds in his own account.
- The trading portal was detailed and technical, showing the fluctuating exchange rates of various currencies, profits, and losses. He believed only legitimate companies would have access to such sophisticated software, reassuring him it was genuine.
- He was added to a WhatsApp group chat with other members, who also turned out to be victims of the scam, who were investing on the same platform. Every day users would discuss their investments and share screenshots of their profits. After monitoring the chat for a period of time, he decided to start trading himself.
- To start investing, he made an initial payment of £400 which was credited to his trading account immediately and he began trading. He invested in several cryptocurrencies using the data available on the platform and his profit increased at a reasonable rate.
- He was motivated by his profits and trusted the investment was genuine, but he didn't have the funds to continue investing. He'd seen the profits his colleagues had made so he took out a £10,000 loan to fund further investment, believing he could pay it back once he withdrew his profits.

Mr H would also have told Monzo he hadn't been approached about the investment opportunity by anyone he didn't know or had only recently met, he wasn't being coached or assisted by a third-party or broker, and that he hadn't been asked to download any screen-sharing software.

All of this means the scam didn't have most of the key characteristics most commonly associated with an investment scam. Mr H hadn't been introduced to the opportunity and wasn't being assisted by someone who'd approached him out of the blue or that he'd recently met, he hadn't downloaded software giving someone access to his account and he'd seen evidence that people he did know and trusted had made profits and been able to withdraw them. There was also nothing that I'm aware of in the public domain that should have prompted Monzo to believe this was a scam. The Financial Conduct Authority (FCA) did issue a warning about Coscoin in December 2023, but this was after Mr H made his last payment.

If Monzo had described the common characteristics of an investment scam, I think it's unlikely these would have resonated with Mr H as they didn't relate to his situation. I think the most the bank could have done in that situation was to advise him that cryptocurrency is often used to fund investment scams and that recovery is very difficult if an investment turns out to be a scam. It would then have been for him to decide whether to go ahead with the payment.

As Mr H's representative has pointed out, we can't know for sure what he would have done. That means I need to base my decision on what I think is most likely in the circumstances. On balance, I think it's unlikely the type of intervention I've described above would have deterred Mr H from continuing to invest.

If Mr H had answered those questions openly and honestly it should have led Monzo to provide him a non-specific warning about investment scams that was couched in fairly general terms. That would have been a reasonable response to the information Mr H would likely have volunteered during such a conversation. I'm not persuaded that such a warning about scams, the typical features of which didn't apply to his situation, would have outweighed the fact that several people he knew and trusted had already invested and been able to withdraw their profits.

Moving onto the later payments, I don't think any further intervention would have been required in the scenario I've described as the amounts involved were much smaller and, as far as Monzo would have been concerned, he was investing after receiving appropriate warnings about fraud and scams.

I want to be clear that it's not my intention to suggest Mr H is to blame for what happened in any way. He fell victim to a sophisticated scam that was carefully designed to deceive and manipulate its victims. I can understand why he acted in the way he did. But my role is to consider the actions of Monzo and, having done so, I'm not persuaded these were the cause of his losses.

I've also noted the comments of Mr H's representative about the Financial Conduct Authority's Consumer Duty and I've taken account of Monzo's obligations following its introduction, but I'm not persuaded this changes the outcome here. While Monzo was expected to avoid causing foreseeable harm to Mr H, I'm not persuaded its actions (or failure to act) were the cause of the harm he suffered, nor do I think that harm was reasonably foreseeable given the information that would have been available to it if it had intervened.

Recovery of funds

I've also looked at whether Monzo took the steps it should have once it was aware that the payments were the result of fraud.

Mr H transferred funds to a legitimate cryptocurrency exchange in his name. From there, he purchased cryptocurrency and moved it into a wallet address of his choosing. If Monzo tried

to recover the funds, it could only have tried to do so from Mr H's own account and it appears all the money had already been moved on and, if not, anything that was left would still have been available to him to access. So I don't think anything that Monzo could have done differently would have led to these payments being successfully recovered.

In conclusion

I recognise Mr H has been the victim of a cruel scam and I'm sorry he lost such a large amount of money. I realise the outcome of this complaint will come as a great disappointment but, for the reasons I've explained, I don't think any further intervention by Monzo would have made a difference to the outcome and I won't be telling it to make any refund.

My final decision

My final decision is that I do not uphold this complaint.

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

James Biles
Ombudsman