

## **The complaint**

Mr T complains that Monzo Bank Ltd ('Monzo') won't refund the money he lost after he fell victim to a scam. He's asked Monzo to reimburse his loss, along with interest and £250 compensation.

## **What happened**

Both parties are aware of the circumstances of the complaint, so I won't repeat them all here. But I will briefly summarise what's happened.

Between 30 April 2023 and 2 June 2023, Mr T made seven debit card payments (totalling £3,512) from Monzo to an account he opened with an electronic money ('e-money') and payment services provider (whom I'll call 'S'). From S, a majority of Mr T's funds were transferred to third parties. The payments to and from S were made as the result of a "job-task" scam.

After realising he'd been scammed, Mr T raised a dispute about the card payments with Monzo. The dispute was rejected by Monzo on the basis that Mr T had authorised the payments himself. Subsequently, Monzo then investigated the payments as a scam.

Monzo declined Mr T's claim for a refund. Mr T raised a formal complaint, but as he didn't get a response, he referred it to this service. In its submission to this service, Monzo reiterated its decision not to reimburse Mr T's loss. However, it agreed that it had taken an unreasonable amount of time to consider Mr T's scam claim. In recognition of this, Monzo offered Mr T £100 compensation.

Our Investigator didn't think Monzo was responsible for refunding Mr T's loss because they didn't think the scam payments reasonably ought to have appeared as suspicious to Monzo when they were made. They also thought Monzo's offer of £100 compensation was a fair reflection of the distress and inconvenience he'd been caused by Monzo's delays.

Mr T didn't agree with our Investigator. As an agreement couldn't be reached, the complaint has been referred to me to decide.

## **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'm 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.

I'm aware that I've summarised this complaint and the responses briefly, in less detail than has been provided, and in my own words. No discourtesy is intended by this. Instead, I've focussed on what I think is the heart of the matter here – which is to determine whether Monzo reasonably could've prevented Mr T's loss. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is the right outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as an alternative to the courts.

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

It's not in dispute here that Mr T made the scam payments himself. So, under the Payment Services Regulations, the starting position here is that Mr T is responsible for the payments (and the subsequent loss) despite the payments being made as the result of a scam.

However, that isn't the end of the story. Good industry practice required Monzo to be on the lookout for account activity or payments that were unusual or out of character to the extent that they might indicate a fraud risk. On spotting such a payment, I'd expect it to take steps to warn the customer about the risks of proceeding. When doing so, Monzo needs to strike a balance between trying to prevent fraud, and unnecessarily inconveniencing customers who try to make legitimate payments.

Payments one and two were low value debit card payments. Whilst S was a new merchant, the services it offers are consistent with those offered by other merchants Mr T had previously made higher value payments to. The two payments were made four days apart and so I don't think Monzo reasonably ought to have thought there was a fraud risk at the time those payments were made.

Prior to payment three, Mr T made a withdrawal from S to his Monzo account, which was over three times the value of the payments he'd sent to S from his Monzo account. Again, the value of the payment wasn't substantial, and two days had passed since he'd last sent funds to S. As a result, I don't think there was an apparent risk to Monzo at the time of payment three.

I accept that payments four and five were made on the same day as payment three. However, the values still weren't remarkable, and they were made hours apart, with funds remaining in Mr T's account. Not only this, but Mr T had previously made multiple payments to a single merchant on the same day – and he'd done this more than once. So, although there were three payments to S on the same day, I'm not persuaded that this would've presented a risk to Monzo at the time as he wasn't significantly changing his usual account activity.

Mr T didn't make another payment to S until almost a month later. Whilst the value of the payment was larger than the previous payments to S, it reduced the account balance by less than 50%. And I don't think the increase in value was so significant (considering it went to an established payee) that it reasonably ought to have given Monzo cause for concern.

The final payment was also for a larger amount than payments one to five and it was the second payment that day. However, funds remained in Mr T's Monzo account, the payment went to an established payee and the payment occurred approximately four and a half hours after the previous payment (payment six). So, although it took payments to S on that date to over £2,700, I'm not satisfied that Monzo reasonably ought to have been concerned enough to have provided Mr T with a warning or questioned him further about the purpose.

Mr T has argued that S has links to cryptocurrency, in particular a well-known cryptocurrency exchange platform ('B'). As a result, Mr T thinks all the payments to S demonstrated a risk of fraud and Monzo ought to have been on high alert when the transactions were made, and it should've done more to protect Mr T and to satisfy itself the payments weren't being made as a result of fraud.

I accept that S provides certain cryptocurrency related activities. However, it also provides other services, which it's regulated by the Financial Conduct Authority to carry out. Furthermore, the payments Mr T sent to S were deposited into his e-money account and weren't converted by him into cryptocurrency. Nor was there any indication at the time that Mr T was intending to purchase cryptocurrency (which he wasn't).

I don't think it needed to, but even if Monzo had provided Mr T with a warning about cryptocurrency investment scams when he made payment seven (the second high value payment to S on 2 June 2023), I still don't think it would've made any difference, as Mr T wasn't purchasing cryptocurrency from S (he was transferring the funds on to third parties). I'm not persuaded a written warning would've resonated with him (as it wouldn't have been relevant to his circumstances) and so I don't think it would've stopped the scam. I'm also not satisfied that human intervention would've been proportionate in the circumstances.

At the time the scam was reported to Monzo, Mr T still had a small balance in his account with S. As he had sole control of his account with S, Mr T still had access to those funds and could've withdrawn them from S (without Monzo's assistance) if he had wanted to.

The other funds sent from Monzo to S had already been sent on to third parties by Mr T and were no longer available to be withdrawn. So, I've thought about whether Monzo could've done anything to recover those funds, but I'm not persuaded that was possible in the circumstances.

Monzo could've attempted a chargeback. However, there's no statutory right for a chargeback to be raised and I wouldn't expect Monzo to raise one where there is no reasonable prospect of success. Here, the payments went to a genuine merchant (who Mr T held an account with) and, having reviewed Mr T's statements, I can see that S provided the service requested of it. As such, a chargeback would've most likely been successfully defended by S and therefore it wasn't unfair that Monzo didn't attempt this, when there was little chance of success.

Overall, I'm not satisfied Monzo reasonably could've prevented Mr T's loss, or that it could've done anything to recover the money he lost. As a result, I can't fairly ask Monzo to reimburse Mr T's loss.

Monzo didn't respond to Mr T's scam claim within a reasonable time and it didn't respond to his complaint. Monzo accepts it should've done better and has offered £100 compensation to Mr T for the distress and inconvenience this caused.

I'm pleased to see Monzo has recognised that Mr T has experienced unnecessary distress and inconvenience as a result of its delays. Taking into consideration the impact this had on Mr T, I think £100 compensation is a fair amount and Mr T can accept Monzo's offer if he chooses to do so.

**My final decision**

My final decision is that I do not uphold Mr T's complaint against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 14 January 2025.

Liam Davies  
**Ombudsman**