

## The complaint

Mr G complains that Monzo Bank Ltd won't refund the money he lost when he was the victim of a scam.

## What happened

In July 2022, Mr G saw an advert for an investment company on a social media platform. He was interested in making some extra money, so followed the link and entered his details in the enquiry section of the investment company's website. Mr G then received a phone call from someone who said they were a financial advisor at the investment company. And the advisor talked him through opening a Monzo account to send his money through, setting up an account on the company's trading platform and how to pay money into the trading platform.

Mr G made an initial investment with the company of £100 and, as the trading platform showed the investment doing well and generating returns, he made a number of further payments to the company over the following days. The payments were all made from Mr G's Monzo account to a cryptocurrency exchange, and Mr G says all they were made under the guidance of the advisor. I've set out the payments made from Mr G's Monzo account below:

Date	Amount
18 July 2022	£100
3 August 2022	£2,000
9 August 2022	£5,000
11 August 2022	£10,000
12 August 2022	£10,000
12 August 2022	£2,404
13 August 2022	£9,004

After the payment of £10,000 on 11 August 2022, Mr G asked to remove some of the profit the platform showed he had been making. But he was given a number of reasons why he had to pay more money in before he could withdraw funds, including commission and payments to the regulator. Mr G therefore made the payments of 12 and 13 August 2022 but, when he was then told he needed to make more payments for tax, he realised it was a scam and reported the payments to Monzo.

Monzo investigated but said Mr G had authorised the payments and hadn't taken the steps it would expect to check who he was paying. So it didn't agree to refund the money he had lost. Mr G wasn't satisfied with Monzo's response, so referred a complaint to our service.

One of our investigators looked at the complaint. They thought Monzo should have identified that Mr G was at risk of falling victim to a scam and intervened before the fourth payment he made. And that, if it had intervened, the scam would have been uncovered and Mr G wouldn't have lost any of the later payments. But they also thought Mr G should have done more and so should bear some responsibility for his loss. So they recommended Monzo refund 50% of the money Mr G lost, from the fourth payment onwards. Monzo disagreed with our investigator, so the complaint has been passed to me.

## 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.

### *Did Monzo do enough to protect Mr G?*

Banks are expected to make payments in line with their customers' instructions. And Mr G accepts he made the payments here. So while I recognise he didn't intend for the money to go to scammers, he did authorise the payments. And so the starting position in law is that Monzo was obliged to follow his instructions and make the payments. So Mr G isn't automatically entitled to a refund.

The regulatory landscape, along with good industry practice, also sets out requirements for banks to protect their customers from fraud and financial harm. So, in line with this, I think Monzo should fairly and reasonably:

- Have been monitoring accounts and any payments made or received to counter various risks, including anti-money laundering, countering the financing of terrorism, and preventing fraud and scams.
- Have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which banks are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, before processing a payment, or in some cases declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

And so I've also considered whether Monzo should have identified that Mr G was potentially at risk of fraud as a result of these payments.

Monzo has argued that it shouldn't be expected to have identified a risk of fraud here, as Mr G had said the account would be used for spending towards cryptocurrencies when he opened it – and so the payments weren't out of character. But while I agree it is reasonable for Monzo to take the stated use of an account into consideration when looking at the risk certain payments represent, I don't think a stated use means all payments for that purpose can't represent any risk at all.

The first few payments Mr G made here weren't for what I'd consider to be particularly large amounts, and weren't made particularly close together in time. They were also made to a cryptocurrency exchange, and so were in line with the intended use of the account Mr G had given Monzo when opening the account. And so I think it's reasonable that Monzo didn't identify a risk of fraud as a result of these first payments.

But once Mr G tried to make the fourth payment here, for £10,000 on 11 August 2022, I think Monzo should have identified a risk. This payment was for a significantly larger amount. And at this point Mr G had made four payments to the cryptocurrency exchange in just a few weeks, totalling a considerable amount of money and increasing in size every time – which matches a pattern of payments often seen in scam cases. So even though Mr G appeared to be spending on cryptocurrency as he had intended to do so, I think the other circumstances here mean Monzo should still have identified that he was at risk of financial harm from fraud.

And so I think it should have intervened to carry out additional checks before allowing this payment to go through.

It's not for our service to dictate the checks Monzo should do or the questions it should ask. But banks should take steps designed to protect their customers from the risk of financial harm. And, in these circumstances and given the size of this payment, I think it would be reasonable to expect those checks to include questions about the purpose of the payment and then follow-up questions about the investments Mr G thought he was making.

I've not seen anything to suggest Mr G would have lied or tried to mislead Monzo if he was asked about the payment. So I think it's likely he would have told Monzo the payment was for an investment he was making. I think Monzo should then have asked further questions about the investment, such as what he was investing in, where he had found out about the investment and whether anyone was helping him with it. And I think Mr G would then have said he was investing in cryptocurrency, had found out about the investment company online and was being guided through making the payments by an advisor from the company. And as this fits the pattern of common cryptocurrency investment scams, I think Monzo should then have warned him that he was likely the victim of a scam.

If Monzo had warned Mr G that his circumstances fitted the pattern of common cryptocurrency investment scams, and given him some advice on how to avoid scams such as trying to withdraw all his funds or checking the company was registered with the FCA, I think he would have realised that this was likely a scam and wouldn't have made any further payments.

So if Monzo had done more to try to protect Mr G, as I think it should have, I don't think he would have made this fourth payment or any of the later payments. And so I think Monzo should therefore refund the money he lost as a result of the scam, from the fourth payment onwards. As Mr G has now been without this money for a period of time, I think Monzo should also pay him compensatory interest at the rate of 8% simple a year from the date of the payments until the date they are refunded.

*Should Mr G bear some responsibility for his loss?*

I've also considered whether Mr G should bear some responsibility for the loss he suffered. And while I appreciate that this was a sophisticated scam where he spoke with the scammer frequently and was given a trading platform to monitor his investment, I think there were a number of things about what he was told or what was happening that should have caused Mr G significant concern.

Mr G doesn't appear to have done significant checks into who the investment company was, or whether the advisor he was speaking to was connected to the company. He doesn't appear to have received any documents or literature about the company or the investments he was making. And he doesn't appear to have fully understood what investments he was supposedly making or why the money had to go to a cryptocurrency exchange before reaching the trading platform. And given the amount of money Mr G ultimately invested, I think it's reasonable to expect him to have checked and understood these things before going ahead.

Mr G has also said the trading platform showed the balance of his investment was more than ten times the amount he had invested when he tried to withdraw from it. But I think these kinds of returns in less than a month are unrealistic and too good to be true. So I think they should have caused Mr G concern about whether what he was being told was true.

Mr G was also told he had to pay more money in before he could withdraw the profit he had been making. But it doesn't appear that he was told about this requirement before investing, and this isn't how genuine investments would work. So I think this should also have caused him significant concern about whether what he was being told was true.

So I think it would be fair and reasonable for Mr G to bear some responsibility for the loss he suffered. And so I think it would be fair for Monzo to refund 50% of the money he lost, from the fourth payment onwards.

### **My final decision**

For the reasons set out above, I uphold this complaint in part and require Monzo Bank Ltd to:

- Refund Mr G 50% of the money he lost, from the fourth payment onwards – totalling £15,704
- Pay 8% simple interest a year on that refund, from the date of the payments until the date of the refund

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 16 November 2023.

Alan Millward  
**Ombudsman**