

The complaint

Ms M is unhappy that Monzo Bank Ltd (“Monzo”) won’t refund money she lost as a result of a scam.

What happened

A long-term friend borrowed money from Ms M to invest with her new partner, who I will call B.

B purported to be an experienced trader with the London Stock Exchange. After seeing the “profits” that her friend had made she also invested. B asked Ms M to install trading software including MetaTrader5 and then send funds - firstly to Binance and subsequently to other crypto exchanges where the funds were then sent to B.

B then told Ms M how to trade on a trading platform which I will call C, which was most likely a simulation trading platform. Ms M made a large number of transactions from her Monzo account between June and July 2021, totalling over £60,000. These were made up of debit card payments and electronic transfers.

During this period she asked her brother, an experienced crypto investor, about what she was doing. Ms M says she was assured by her brother that the software that she had installed was legitimate. She also says that she was convinced that C was a legitimate trading platform.

Early on in the scam Ms M also withdrew funds from C. This again provided reassurance to Ms M that it was a legitimate trading platform. Ms M unfortunately also introduced other people to B and C and received “bonuses” from C in her trading account (which later transpired to be fake).

After several months of trading, Ms M was no longer able to withdraw her “profits” and after some back and forth with B and C, Ms M realised she had in fact been scammed. Ms M believes Monzo didn’t do enough to protect her from this scam.

Ms M reported the matter to Monzo. It didn’t think it had made an error, so declined her claim. Ms M referred the matter to our service and one of our Investigators thought that Monzo should have intervened when the initial payment was made and when a large payment of £30,000 was made. But they did not think that an intervention would have changed anything due to how convinced Ms M was that B was a legitimate trader and that C was a legitimate trading platform. So the investigator thought that the payments Ms M made should not be refunded.

Ms M didn’t agree. As no agreement could be reached, the case was passed to me for a 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.

Ms M has accepted she authorised the payments she made to Binance, so the starting point here is that Ms M is responsible for making the payments. However, banks and other Payment Services Providers (PSPs) do have a duty to protect against the risk of financial loss due to fraud and/or to undertake due diligence on large transactions to guard against money laundering.

There is no doubt that the payments made were unusual compared to Ms M's normal payment history. I think that it is arguable that Monzo should really have contacted Ms M about the payments that she was making. But that on its own is not enough for me to recommend that the transactions be refunded. I would also need to be persuaded that such an intervention would have altered Ms M's decision to carry on with the transactions.

I have carefully considered this and I don't think that an intervention from Monzo would have changed Ms M's decision to carry on with the transactions. I say this for the following reasons;

- Ms M was introduced to B by a long-term friend. Ms M was told that her friend was dating B and that B was an experienced trader with the London Stock Exchange. So given the assurances from someone she trusted, Ms M clearly had more trust that B was who he says he was, than if she was introduced to B via an alternative means, such as an advert on social media.
- Ms M was told by her friend that they had made substantial "profits" with money that Ms M had lent her. I think this would further have convinced Ms M that B was a legitimate trader and she says that she saw the profit in the account before she agreed to invest.
- There was no remote access software installed on Ms M's computer. She retained the access to her accounts both with Monzo and the crypto exchanges. So if Monzo did question Ms M about this, I don't think it would have automatically raised any red flags.
- Ms M has explained that she spoke with her brother who is an experienced crypto investor. He said that MetaTrader5 and Binance were legitimate companies. This again would have made Ms M trust B more than she perhaps otherwise would've.
- Ms M was allowed to withdraw some of her "profits" early on during the scam. This again gave the impression that the 'investment' was legitimate and that she was able to access her 'investments' without any barriers.
- Ms M was so convinced by the scam she signed up other people including her father, brother and friends to invest with B. This again shows that she was completely convinced that B was legitimate, and that the profits she'd seen on C were genuine.
- There were no credible warnings online about B or C at the time.

Taking all of this into consideration, it's hard to see how Ms M would have been dissuaded from going ahead or that if Monzo did question the payments, there were enough red flags for it to be concerned about the transactions. After all, Ms M was introduced to the scam via a friend who was dating the person providing the apparent investment advice; she had not allowed anyone to access to her computer; she had researched the companies and software that she was using via her brother; and early on in the scam she had withdrawn funds.

I note Ms M's representatives' comments that Monzo could have asked Ms M to check if C was registered with the FCA. But I don't think that even if Monzo had done this, on its own, would've put off Ms M, who looks to have been completely taken in by a very sophisticated scam and scammer. So overall, whilst I think that Monzo should have intervened, I don't think an intervention would have stopped the scam.

I have thought about whether Monzo could have recovered the funds via other means. In this instance, for the payments made via debit card, the only recourse to recover the funds would be to initiate a chargeback. But in this case, a chargeback would not have been successful, as the transactions Ms M used her debit card for was to pay for the purchase of cryptocurrency, which she duly received. It was only when the cryptocurrency was transferred from her crypto wallet to the scammer did the loss then occur. So, she could not claim that she did not receive the goods or services paid for.

In relation to the transfers, the funds had already been forwarded on from the crypto exchanges prior to Monzo being made aware of the scam so Monzo could not recover funds from the exchanges. Additionally, The Contingent Reimbursement Model does not apply to transfers made between accounts in the customer's own name.

So overall I can't ask Monzo to refund any of the transactions. I'm sorry Ms M has lost a considerable amount of money and I can understand why she would like to be compensated for her loss. I do accept Ms M has fallen victim to a sophisticated scam. But I can only consider whether the bank, which had no involvement in the scam itself, should be held responsible for what happened. For the reasons set out above, I do not find Monzo can be held liable in the circumstances of this case.

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 Ms M to accept or reject my decision before 30 November 2023.

Charlie Newton
Ombudsman