The complaint

Mr C complains that Monzo Bank Ltd (Monzo) won't refund the money he lost when he 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 here. The facts aren't in dispute, so I'll focus on giving the reasons for my 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 agree with the conclusions reached by the investigator for these reasons:

- Despite not being a signatory of the Lending Standards Board's Contingent Reimbursement Model (CRM) Code, Monzo has committed to the standards it sets. The starting position under the CRM Code is that banks should reimburse victims of APP scams.
- Monzo argues that it doesn't need to follow the CRM Code here as it considers the matter to be a civil dispute. But I disagree. Whilst it's common ground that the travel agent Mr C paid was, at one point, operating legitimately, she was arrested for fraudulently selling discount holidays within one month of him paying the deposit. It will have taken some time for the police to investigate and arrest the agent. So it strikes me as unlikely that she was operating legitimately and intending to provide Mr C's holiday so close to her arrest. I'm persuaded this was an APP scam, and that the Code is therefore relevant.
- Under the CRM Code, there are reasons why a bank may not be expected to refund an APP victim. Relevant here is whether Mr C ignored an effective warning about the scam; and whether he made the payment without any reasonable basis for believing it was genuine.
- Whilst the £600 payment – understandably – didn't flag as suspicious, Monzo says Mr C would have seen the following "confirmation of payee" warning:

  > *"You're sending money to someone we couldn't verify. You may not be able to get your money back if this does turn out to be a scam."*

- I'm not persuaded this was an effective warning. I understand Monzo thinks the warning would have shown as Mr C put down that he was paying a personal account rather than a business account. The other account details were correct. There's nothing in the warning specific or relevant to the scam Mr C fell victim to, or about how to tell if it was a scam.

- I'm also conscious that Mr C was using the travel agent based on recommendations from family and friends who'd used her services before. He'd also found good reviews for her online. If he'd looked into the agent further, he would have seen that she was correctly registered with Companies House. In the circumstances, I'm not persuaded the warning was effective and ought reasonably to have stopped Mr C from making the payment.
- For similar reasons, I'm persuaded that Mr C had a reasonable basis for believing he was paying a legitimate company for a genuine holiday. I appreciate the price of the holiday Mr C thought he was buying was slightly lower than he'd found elsewhere. And Monzo found the protection the agent claimed to offer if he didn't travel to be suspicious. But I'm not persuaded those factors would reasonably have alerted him that it wasn't legitimate. The company was properly registered, and Mr C was following a trusted recommendation. He also hadn't been on holiday for years, so may not have had detailed knowledge of what might be suspicious (rather than a competitive price/deal). In the circumstances, I consider it reasonable that Mr C thought he was genuinely paying a deposit to secure a holiday.
- Overall, I'm satisfied that Mr C was the victim of a scam, but reasonably believed he was making a genuine payment. And I'm not persuaded the warning Monzo says he saw was effective in the circumstances. So, in line with the Code it's committed to follow, I've decided that it should reimburse him for his loss.

Putting things right

For the reasons given above, I've decided that Mr C should be fully reimbursed.

I therefore direct Monzo Bank Ltd to:

- refund Mr C the £600 he lost to the scam; and
- pay 8% simple interest on that amount (less any tax properly deductible), from the date it declined to reimburse him to the date of settlement.

My final decision

My final decision is that I uphold this complaint and direct Monzo Bank Ltd to put things right in line with what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 14 December 2021.

Rachel Loughlin
Ombudsman