DRN-3149814

The complaint

Ms T is unhappy because Monzo Bank Ltd did not reimburse the money she transferred to a fraudster.

Background

Both parties are aware of the circumstances of the complaint, so I won't repeat them all here. But briefly, both parties accept that in July 2020, Ms T reported two transactions via Monzo's banking app that she disputed having made, each for £0.01.

That same day, Ms T received a call from an individual purporting to be from Monzo. Unknown to Ms T at the time, the individual was actually a fraudster. Ms T has explained the fraudster had personal information about her, such as her name, segments of her address, her email address and recent transactions on her account, which reassured her they were genuinely calling from her bank. The number the fraudster called from was also very similar to Monzo's legitimate customer service number (only one digit being different) – which Ms T was told was due to the call being from the 'fraud prevention and theft' department.

The fraudster told Ms T that they wanted to make her account more secure and provided her with details of another Monzo account to transfer her funds to. When Ms T attempted to make the transfer, Monzo has said Ms T would've been presented with the following information:

'Details don't match account

The details you entered don't match the account you're sending money to.

Please double check who you're sending money to and cancel this payment if you think someone might be trying to scam you.'

Ms T would've needed to click *'continue anyway'* to proceed, which would've prompted the following:

'Could someone be trying to scam you?

If you're not sure, cancel this payment. Once you make a payment, it's almost impossible for us to get the money back.'

Ms T has confirmed she recalls receiving a warning advising the details provided didn't match the account and questioned this with the fraudster. She said she was told that, as they weren't sure if they would reach her by phone, her full details hadn't yet been added to the account, but that this would be completed today and she'd receive confirmation by text once her details had been added to her account.

Ms T was then required to select the reason for making the payment on Monzo's banking app. Ms T initially chose the option *'something else'* but then reverted back and chose '*transfer to a safe account'*. Ms T then received the following warning:

*‘**Stop, don’t pay***

It’s very likely this is a scam

Remember:

Monzo will never call you without arranging by email or in-app chat first

Other banks will never ask you to move money out of your Monzo account

Call your bank directly’

Ms T had to click again to confirm she wished to make the payment.

Ms T again recalls seeing this message and that she wasn’t convinced this was ok so questioned the caller. She’s explained the fraudster reassured her by explaining these were generic safety features of the Monzo app because of the value of money she was transferring and that Monzo was here to protect its customers. She’s said the fraudster’s telephone mannerisms, coupled with the ‘spoofed’ telephone number, knowledge of prior unauthorised transactions and knowledge of her personal details convinced her that this was a genuine call. Ms T therefore proceeded to transfer her account balance to the fraudster, across two transactions, the first being for £2,500, the second for £256.09.

When Ms T didn’t hear back from the fraudster, she contacted Monzo and realised at this point she’d been the victim of a scam.

Monzo has committed to follow the Lending Standards Board Contingent Reimbursement Model (CRM) Code (although it isn’t a signatory) which requires firms to reimburse customers who have been the victims of APP scams like this in all but a limited number of circumstances. Monzo says one or more of those exceptions applies in this case.

Monzo provided a 50% refund to Ms T, as it acknowledged the complexity of the scam Ms T fell victim to. However it considered it provided effective warnings to Ms T and so considers Ms T should share liability for the loss.

Ms T feels she should be fully refunded and so has referred her complaint to us. An investigator looked into Ms T’s complaint and thought it ought to be upheld, with Monzo providing a full refund. As Monzo disagreed with the investigator’s view, the complaint has been passed to me for a final decision.

My findings

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 am satisfied that:

- Under the terms of the CRM Code, Monzo should have fully refunded the money Ms T lost. I am not persuaded any of the permitted exceptions to reimbursement apply in the circumstances of this case.

- In the circumstances Monzo should fairly and reasonably refund the money Ms T lost.

- The money was taken from Ms T's current account. It is not clear how Ms T would have used the money if Monzo had refunded it when it should have done, so Monzo should also pay interest on the money it should have refunded at 8% simple per year from the date it declined Ms T's claim under the Code to the date of payment.

I have considered Monzo's representations about the warning it gave and whether Ms T had a reasonable basis for believing the transactions to be genuine. But they do not persuade me to reach a different view. In particular I am not persuaded that Ms T failed to take the requisite level of care required for Monzo to choose not to reimburse under the terms of the CRM Code.

In this case I'm satisfied that the requirements of the effective warning exception were not met because:

- I don't think the warning was impactful enough for the scam Ms T fell victim to. It didn't cover a number of safe account scam 'hallmarks' that I think were significant in this case for Ms T believing this was a legitimate call. For example, there was no mention of fraudsters being able to 'spoof' telephone numbers. The warning also doesn't warn that Monzo will never ask its own customers to move money, particularly to a 'safe account'.

- It's clear in this case that Ms T did pay attention to the warning, but the fraudster was able to reassure Ms T, based on some of the missing factors of this warning, that she was safe to proceed regardless. I think, considering the reassurances given by the fraudster that weren't covered by the warning, Ms T acted reasonably, notwithstanding the information the warning *did* include.

- While the warning advises that Monzo will always arrange contact prior to calling, Ms T has explained she wasn't surprised that Monzo had called her, having logged unauthorised transactions earlier that day. While Monzo has advised no follow up call with Ms T was pending, I can understand why, in the particular circumstances of this case, Ms T would find this contact less unexpected.

- It's also worth noting that the Code sets out what criteria as a 'minimum' an effective warning should include. In this case, when making the first transfer to the fraudster, Monzo would've been aware that Ms T had provided account details that didn't match the intended recipient, that Ms T had selected 'safe account' as the reason for payment (which Monzo would know it's a concept that exists outside of scams) and that she was attempting to transfer over 90% of her balance to this account. I think, in the circumstances, it's arguable that Monzo should've done more to protect Ms T, regardless of the warning it provided.

It's not clear whether Monzo believe Ms T lacked as reasonable basis for believing she was making genuine transactions. In any case, I don't think she did because:

- The contact from the fraudster wasn't entirely out of the blue. While a call hadn't been arranged with Monzo, Ms T had reported disputed transactions on her Monzo banking app earlier that day, and the fraudster was aware of these transactions.

- The fraudster knew personal information about Ms T and Monzo has acknowledged that the fraudster appears to have effectively mimicked its identification processes.

- The number Ms T was called on very closely matches Monzo's genuine customer service number. Again, Monzo has acknowledged that many businesses have slightly different telephone numbers for different departments.

- While Ms T saw warnings that were relevant to the scam she fell victim to, the fraudster was able to reassure Ms T and give plausible reasons for Ms T to bypass these.

So in summary, I'm not persuaded that Monzo has shown that Ms T ignored an effective warning, or that she didn't have a reasonable basis for believing she was making a genuine transaction. Monzo should therefore refund the funds Ms T lost to the fraudster in full.

My final decision

For the reasons I've explained, my final decision is that I uphold Ms T's complaint against Monzo Bank Ltd. I require Monzo Bank Ltd to:

- Refund the remaining 50% of the money Ms T lost to the scammer

- Pay 8% simple interest, from the date Monzo declined Ms T's claim under the CRM Code to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 8 March 2022.

Kirsty Upton
Ombudsman