

## **Complaint**

Mr Y is unhappy that Monzo Bank Ltd hasn't refunded him after he was the victim of two scams.

## **Background**

Mr Y has an account with Monzo. In June 2020, he fell victim to two different scams in quick succession. He made payments from his Monzo account to the scammers in each case.

The first related to an advert he saw on social media for a scooter. He was interested and so contacted the seller. He agreed to pay £120. The scooter in question would typically sell for around £300-600 and so he was happy he'd secured it for a good price. He was told to go to a specific location and make the payment. Shortly after he did so, he realised he'd been blocked on the social media platform by the seller. At this point, he was suspicious and thought he might have fallen victim to a scam. He wanted to get in touch with Monzo to ask for its help. Unfortunately, this led to him falling victim to the second scam.

He searched online using his phone for a Monzo customer services number. He found it displayed on a website that had some similarity with Monzo's but was in fact a fake. He tapped the hyperlink for the customer services number which redirected him to an entirely different number. As a result, he believed he'd contacted Monzo's customer services team, but was actually speaking to the second scammer.

Mr Y says that the scammer told him to download a remote-access app to his phone – this enabled them to see activity on his screen. The scammer asked him to transfer funds from a savings account he held with a different business into his Monzo account. It's not clear what reason he was given for making these transfers. Nonetheless, he made two transfers of £1,000 and £1,120 respectively. The scammer then told him that a new savings account had been set up for him and that he needed to transfer the funds from his Monzo account into this new account. In total, Mr Y transferred £2,120 to the account which was controlled by the scammers.

Shortly afterwards, he realised that he'd fallen victim to a scam. He contacted Monzo and asked it to refund his losses. Monzo declined. In connection with the second scam, it said Mr Y hadn't done enough to check that what he was being asked to do was legitimate. It also said that it would've displayed a warning as part of this process – it didn't argue that the warning was an "Effective Warning" within the meaning of the relevant rules, but it said it was clear and impactful. Mr Y said he doesn't remember seeing any warning when making the second payment.

Mr Y was unhappy with the response he received from Monzo and so referred a complaint to this service. It was looked at by an Investigator who considered whether Monzo should've paid a refund to Mr Y under the terms of the Lending Standards Board's Contingent Reimbursement Model ("CRM") code.

The Investigator upheld the complaint in part. She said that Mr Y shouldn't be paid a refund in connection with the first scam. She thought that the price of the scooter should've been a

warning sign to Mr Y that the offer was too good to be true. She didn't think that he had a reasonable basis for believing that the person he was paying was legitimate.

However, the Investigator upheld the complaint regarding the second scam. She thought that Monzo couldn't rely on its warning as a basis for declining to pay a refund. Mr Y had downloaded a remote access application which might have allowed the scammer to prevent him from seeing the warning on his device. She was also satisfied that Mr Y had a reasonable basis for believing that the person he was speaking to was an employee of the bank and so what he was being asked to do was legitimate.

Monzo disagreed with the Investigator's view for several reasons. It said:

- It had contacted the provider of the remote access software to ask it for more details about how its software worked. It was told that Mr Y was using an iPhone with the iOS operating system. This meant the remote access software was limited in terms of its functionality – it would've allowed the scammers to see the information displayed on Mr Y's screen, but it wouldn't have allowed them to take control of the device.
- The fake Monzo site had only superficial similarities with the real Monzo site. Mr Y should've noticed the discrepancies and proceeded cautiously.
- There wasn't any obvious reason why Mr Y would think making an outbound payment of over £1,000 would help him to get back a refund of £120. Monzo says Mr Y is an experienced customer who is familiar with how online banking works and should've recognised that this proposal was unusual.
- The Monzo app displays the logo of the receiving bank when making an outbound payment. Mr Y was apparently told he was making these payments to a Monzo savings account in his name, but it would've been clear on the app that he wasn't making the payment to a Monzo account. He should have regarded this as suspicious.

Because Monzo disagreed with the Investigator's opinion, the complaint was passed to me. I came to a different view to that of the Investigator on the second scam. I thought that Monzo could've done more to protect Mr Y from this scam. I agreed that it was likely that the warning had been displayed on Mr Y's phone at the time he made the payment. It wasn't an Effective Warning as defined in the CRM code, but I thought it should have made Mr Y pause and reflect on whether or not to proceed with the payment. I considered Mr Y's belief that these payments were legitimate was no longer reasonable after he'd seen the warning.

However, I was concerned that Mr Y appeared to have informed Monzo that he was making this payment to a 'safe account.' Monzo should have recognised that, as a 'safe account' isn't a legitimate concept, it was highly likely that Mr Y was making this payment in connection with a scam.

I recommended it pay Mr Y 50% of his losses in connection with the second scam because, while Mr Y had made these payments without a reasonable basis of belief in their legitimacy, Monzo could've done more to protect him. Monzo agreed to settle the complaint on that basis, but Mr Y didn't accept its offer.

## **Findings**

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 issued my provisional findings on this complaint on 18 January 2022 in the following terms:

*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 and the terms and conditions of the customer's account. There's no dispute here that Mr Y authorised these payments.*

*However, Monzo has agreed to follow the Lending Standards Board's Contingent Reimbursement Model Code ("the CRM code"). Under that code, a firm is expected to reimburse a customer who is the victim of an APP scam, like Mr Y. There are a limited set of circumstances set out in the code in which a firm can choose not to reimburse its customer.*

*One such circumstance is where it can be demonstrated that the customer made the payments without having a reasonable basis for believing that the person or business with whom they transacted was legitimate.*

*The code also sets out standards for firms – that is, what firms are expected to do to protect customers from the risk of fraud and scams. Where those standards are not met, the firm may be expected to compensate its customer even if the customer ought to have been more careful before making the payment. One of those requirements is that, where the firm has (or should have) identified that its customer is at risk from a scam, it should provide that customer with an Effective Warning, within the meaning of the CRM code.*

*I've kept these considerations in mind when considering the two scams.*

#### *The first scam*

*I understand Monzo didn't display a warning when Mr Y made this payment, but as I explained above its obligation to do so becomes active when there's a risk of a scam. I'm satisfied that it didn't have any real basis for thinking Mr Y was at risk of falling victim to a scam given that the value of the payment was relatively low.*

*I'm also not persuaded that Mr Y had a reasonable basis for believing that the sale of the scooter was legitimate. The price was some way below market value and I'd have expected Mr Y to have proceeded more cautiously to ensure the legitimacy of the sale. Overall, I'm not persuaded Monzo is required to reimburse him for this loss.*

#### *Scam two*

*Mr Y says he doesn't remember seeing a warning when making these payments and it's been suggested that the remote access software he downloaded might have affected whether he saw the warning. The device was an iPhone and it wasn't jailbroken – i.e. it was using the iOS operating system. The suppliers of the app he downloaded have confirmed that it wouldn't have enabled a user to manipulate the information Mr Y saw on his screen. It would simply have enabled them to see everything that he saw on the screen. On balance, I think it's more likely than not that the warning was displayed although it's understandable that Mr Y might not remember.*

*I agree that this wasn't an Effective Warning, but I think it should've resonated with Mr Y to some extent. Monzo has provided screenshots of the payment process. It shows Mr Y would've been asked to categorise the payment. He selected the option "Transfer to a 'safe account'" The warning unambiguously says "Stop, don't pay" in large text and then underneath it says: "It's very likely that this is a scam". The button Mr Y needed to press to continue with the payment was greyed out until Mr Y selected a tick box next to a confirmatory statement further up the page – reducing the risk that the account holder might mechanistically select the option at the bottom of the page. A further statement would pop up in a dialogue box if the customer chose to proceed saying "Are you sure? Once you make a payment, it's almost impossible to get the money back."*

*I find it surprising that Mr Y would continue with the payment after being presented with a warning in these terms. Monzo can decline to pay a refund under the CRM if Mr Y made the payment without a reasonable basis for believing that the intended recipient was legitimate. After seeing this warning and taking into account the circumstances in which he was being asked to make these payments, I don't think he can be said to have reasonably believed that he was genuinely interacting with an employee of the bank.*

*However, I've also considered whether Monzo did enough to protect Mr Y here. I'm mindful of the fact that, in order to see this warning, Mr Y needed to categorise this as a payment to a safe account. There's no such thing as a safe account outside the realm of fraud and scams. Indeed, the payment category has the term 'safe account' within quotation marks implying that it's not a legitimate concept. I think that once it gathered this information from Mr Y, it should've recognised that it was highly likely that he was making the payment in connection with a scam.*

*Because I think Monzo could've done more to protect Mr Y from the second scam by recognising that it was a safe account scam, I think it should fairly and reasonably refund 50% of his losses in connection with that scam – essentially, I think both parties should bear some responsibility for the loss Mr Y suffered.*

Monzo responded and agreed to pay compensation in line with my recommendations. Mr Y was quite understandably disappointed by my findings. There's no question that he's been the victim of a cruel scam and he has my sympathy for what he's been through. However, I'm satisfied that when applying the CRM Code and the broader considerations set out above, that Monzo can't fairly and reasonably be expected to compensate him in full. I'm therefore issuing a final decision upholding the complaint in part for the same reasons I described in my provisional findings.

## **Final decision**

For the reasons I've set out above, I uphold this complaint.

If Mr Y accepts my decision, Monzo Bank Ltd needs to:

- Refund 50% of Mr Y's losses in connection with the second scam.
- Add 8% simple interest to those payments from the date they left his account until the date any settlement is paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 28 February 2022.

James Kimmitt  
**Ombudsman**