

The complaint

Miss K complains that Monzo Bank Ltd ('Monzo'), didn't do enough to prevent her loss when she sent money to five accounts held at Monzo as a result of a scam.

What happened

The background of this complaint is well known to both parties. So I'll only provide an overview of some key events here.

In July 2020 Miss K fell victim to a social media investment scam. As part of the scam, Miss K made several payments from two different bank accounts she held with two different providers, to five accounts held at Monzo.

Miss K made the following payments from her bank accounts to the following five accounts held at Monzo:

Account 1:

Time	Date	Amount
08:00am	22 July 2020	£680
11:00am	22 July 2020	£500
17:04pm	22 July 2020	£400

Account 2:

Time	Date	Amount
15:15am	24 July 2020	£500

Account 3:

Time	Date	Amount
20:07pm	24 July 2020	£650

Account 4:

Time	Date	Amount
16:13pm	26 July 2020	£600
16:30pm	26 July 2020	£600
12:18pm	27 July 2020	£1,200

Account 5:

Time	Date	Amount
14:50pm	27 July 2020	£1,500

After Miss K became aware of the scam, she complained to her banks and also raised concerns about Monzo, where a number of the receiving bank accounts were held. She has also complained to a different banking service provider where another receiving account was held but this has been considered under a separate reference with our service.

Both of Miss K's banks are signed up to the lending Standard's Board's voluntary Contingent Reimbursement Model (the CRM Code). Monzo, while not a signatory, has also agreed to abide by the principles of the CRM Code.

The CRM Code sets out what is expected of the 'Sending Firm' when payments are made which includes a consideration of whether a customer met their requisite level of care when making the payment. And it also sets out the obligations for the 'Receiving Firm' to prevent, detect and respond to the receipt of funds from APP scams in order to prevent accounts from being opened, or used, to launder the proceeds of APP scams. Where there is a failing by either the Sending Firm or Receiving Firm, they may be required to reimburse the customer. And the customer may also be required to share some responsibility for the loss if it is determined that they also failed to meet their requisite level of care under the CRM Code.

Miss K, was reimbursed 50% of her losses from the two banking service providers she sent the payments from – as they considered it could have done more in the circumstances, but also felt Miss K should share some responsibility. Our service looked at Miss K's complaint about her banks (as the Sending Firm) under two separate references and considered the reimbursement of 50% to be fair in both cases.

Miss K says Monzo, as the Receiving Firm, should also share some responsibility and is unhappy that it couldn't recover the money for her. Miss K feels Monzo should have allowed the receiving accounts to be put into a negative balance in order for her to be reimbursed her losses.

Monzo didn't agree that it was liable for any remaining loss Miss K incurred. It said it had complied with regulatory obligations and followed its internal procedures correctly. It also advised that once it was notified of fraud it took the appropriate actions.

Monzo was able to recover £1.85 from one of the accounts, as that was all that remained. Unfortunately, it wasn't able to recover any funds from the other accounts as all the funds had already been moved on or withdrawn.

Miss K referred her complaint to this service. One of our investigators looked into things and didn't recommend that Monzo needed to do anything further. Overall, she was satisfied Monzo had met the standards required of it under the CRM Code and wasn't responsible for Miss K's losses as it couldn't reasonably have done more to prevent her loss. She was also satisfied it had responded appropriately to the notifications of fraud and explained she wouldn't expect it to take an account into a negative balance as Miss K had described.

Miss K disagreed and asked for an ombudsman to review the complaint.

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.

I think it helpful to set out from the outset that this decision focuses solely on the actions of Monzo – as the Receiving Firm of the accounts where Miss K made payments to. Miss K's complaints about her two different banking service providers, as the Sending Firms, have been reviewed under two separate complaint references with our service. And her other complaint about the actions of another banking service provider, as the Receiving Firm, has also been considered under a different complaint reference.

I know this will not be the outcome Miss K was hoping for and that it will come as a disappointment to her but I'm not upholding her complaint about Monzo. I do recognise Miss K has been the victim of a cruel scam and I don't doubt that what has happened has had a significant impact on her. But I don't believe Monzo has acted unfairly or unreasonably in its answering of this complaint. I am satisfied Monzo has met its requirements under the CRM Code and therefore isn't liable for Miss K's losses. I will now explain why.

Among other things, regulated firms receiving payments like Monzo, are required to conduct their 'business with due skill, care and diligence' (FCA Principle for Businesses 2) and to comply with legal and regulatory anti-money laundering and countering the financing of terrorism requirements.

Those requirements include maintaining proportionate and risk-sensitive policies and procedures to identify, assess and manage money laundering risk – for example through customer due diligence measures and the ongoing monitoring of the business relationship (including through the scrutiny of transactions undertaken throughout the course of the relationship).

And, more generally given the increase in sophisticated fraud and scams in recent years, as a matter of good industry practice at the time, I think firms should reasonably have had measures in place to detect suspicious transactions or activities that might indicate fraud or financial abuse (something also recognised by the Banking Standards Institute's October 2017 'Protecting Customers from Financial harm as a result of fraud or financial abuse – Code of Practice').

And I'm satisfied that this good practice requirement meant not just looking out for situations where a customer might be the victim of fraud, but also situations where the customer might be the perpetrator of fraud or a money mule.

Also relevant in this case, as mentioned earlier, is the CRM Code that Monzo have agreed to abide by the principles of.

The relevant considerations for Receiving Firms under the CRM Code sets out the following:

“CRM Code: Payment Journey – Receiving Firm

SF2 Receiving Firms should take reasonable steps to prevent accounts from being used to launder the proceeds of APP scams. This should include procedures to prevent, detect and respond to the receipt of funds from APP scams. Where the receiving Firm identifies funds where there are concerns that they may be the proceeds of an APP scam, it should freeze the funds and respond in a timely manner.

Prevention

SF2(1) Firms must take reasonable steps to prevent accounts being opened for criminal purposes.

Detection

SF2(3) Firms must take reasonable steps to detect accounts which may be, or are being, used to receive APP scam funds.

Response

SF2(4) Following notification of concerns about an account or funds at a receiving Firm, the receiving Firm should respond in accordance with the procedures set out in the Best Practice Standards.”

With all the above in mind, and in deciding whether Monzo has met the standards required of it under the CRM Code, I've looked at whether it opened the receiving accounts correctly, whether there was anything in the way the accounts were being used that should have given Monzo any cause for concern and finally; once notified of the fraud did it act appropriately and in a timely manner. And if I consider there were failings in relation to any of the above, whether Monzo's acts or omissions fairly resulted in Miss K's loss.

I think it is important to point out that while Monzo has provided our service with information about the receiving bank accounts – it has done so in confidence. This is to allow us to discharge our investigatory functions and Monzo has provided that which is necessary for the determination of this complaint. Due to data protection laws our service can't share any information about the beneficiaries, the receiving bank accounts or any investigation and action Monzo subsequently took. This said, I would like to assure Miss K that I have reviewed in detail and considered all the information provided to me before reaching my decision.

The account opening process

In considering whether or not a bank failed to prevent the loss of an APP victim when opening the beneficiary account, we would generally ask to see evidence that; it correctly followed its account opening procedures; carried out checks to verify the identity of the named account holder; and did its due diligence when opening the account. From the information provided, I'm satisfied that Monzo carried out checks to verify the identity of the named account holders and did its due diligence when opening the beneficiary accounts in this case. There wasn't anything at the time that I think reasonably could've alerted Monzo that the accounts it was opening would later be used fraudulently. So I'm satisfied Monzo has taken reasonable steps to prevent the accounts being opened for criminal purposes and it didn't miss an opportunity to prevent Miss K's loss when opening the accounts.

Account activity

A bank has a duty to follow their customer's instructions and make payments as directed in line with the mandate – which is usually set out in the terms and conditions of the account. The CRM Code sets out that Firms must take reasonable steps to detect accounts which may be, or are being, used to receive APP scam funds. This ties in with long standing regulatory and legal obligations Banks and Building Societies have to monitor their business relationships and to be alert to other risks - such as fraud, which would include giving consideration to unusual and out of character transactions.

Having looked at the account history of all five beneficiary accounts, I can't safely say overall that the account activity would reasonably have stood out to Monzo as suspicious or so out of character for the accounts and what might be expected for the accounts in question. I can see there was no notification of fraud on the accounts prior to Miss K making her payments into the accounts. It follows that I've not seen anything that fairly and reasonably suggests Monzo had sufficient grounds to suspect fraud and refuse to execute its customer's payment instructions.

So overall, I'm satisfied Monzo has demonstrated it's taken reasonable steps to detect accounts which may be, or are being, used to receive APP scam funds. I also don't think Monzo ought to have had concerns that meant it ought to have intervened in this particular case, so I can't fairly or reasonably say it could have prevented Miss K's loss in this way either.

Did Monzo act in a timely manner once notified of the scam

The Best Practice Standards set out that a Receiving Firm must take appropriate action, in a speedy manner, upon notification of APP fraud and notify the Sending Firm if any funds remain for recovery. Here, once notified of the scam, I'm satisfied Monzo took the necessary actions required of it and did so in a timely manner. Unfortunately, only £1.85 of Miss K's funds remained in one of the beneficiary accounts which was returned to Miss K. And no funds remained in the other beneficiary accounts as they had already been moved on / withdrawn from the accounts.

Taking everything into account, I'm satisfied, following notification of APP fraud, Monzo responded in accordance with the procedures set out in the Best Practice Standards. And I don't think I can fairly say Monzo didn't do enough to respond to the alleged APP fraud.

While Miss K was the unfortunate victim of a scam, I'm satisfied that Monzo met the standards required of it under the CRM Code. I also don't think Monzo could've done anything more as the Receiving Firm to have prevented the loss of her money. And it responded appropriately once notified of the fraud. So, it follows that I don't think they are liable to reimburse Miss K for her remaining loss under the CRM Code or otherwise.

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 Miss K to accept or reject my decision before 27 May 2022.

Staci Rowland
Ombudsman