

The complaint

Miss A is unhappy Monzo Bank Ltd (“Monzo”), won’t refund the money she lost after falling victim to an authorised push payment (“APP”) investment scam whereby she sent money to three accounts held at Monzo.

What happened

In summary, Miss A fell victim to a social media investment scam. As part of the scam, Miss A made three payments from her bank account (held with Monzo), to three accounts also held at Monzo.

Miss A made the following payments to the following accounts held at Monzo:

Account 1:

Date	Time	Amount
4 September 2021	11:49am	£1,500

Account 2:

Date	Time	Amount
4 September 2021	12:08pm	£1,200

Account 3:

Date	Time	Amount
4 September 2021	12:37pm	£1,000

After the scam was revealed, Miss A complained to Monzo in regard to the payments she made and that Monzo could have done more to prevent her falling victim to a scam. And Miss A also raised her concerns about the receiving bank accounts as she considered they were being used fraudulently.

Monzo has agreed to abide by the principles of the Lending Standards Board’s voluntary Contingent Reimbursement Model (the CRM Code).

The CRM Code was implemented to reduce the occurrence of APP scams. It 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.

Monzo, once notified of the fraud, says it took the appropriate action. Unfortunately Monzo wasn't able to recover any funds from the accounts, as the funds had either been moved on or withdrawn.

Miss A, after complaining to Monzo in its capacity as the Sending Firm, about its actions in preventing the payments she made, ultimately received £2,200 of her losses (the second and third payments Miss A had made). Monzo considered it could have done more in the circumstances, but also felt Miss A should share some responsibility. Our service looked at Miss A's complaint about Monzo, in its capacity as the Sending Firm, under a separate reference and considered the offer of £2,200 was fair.

Miss A says Monzo, in its capacity as the Receiving Firm, should also share some responsibility. Miss A wants it to refund her the remaining loss as she considers three of its accounts were opened and used fraudulently.

Monzo, in its capacity as the Receiving Firm, didn't agree that it was liable for any remaining loss Miss A incurred. It said it had followed its internal procedures correctly when opening the accounts. It also advised that once it was notified of fraud it took the appropriate actions. Monzo also explained that due to data protection regulations it wasn't able to share any details or information about the accounts Miss A had sent money to.

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 A's losses as it couldn't reasonably have done more to prevent Miss A's loss. She was also satisfied it had responded appropriately to the notification of fraud.

Miss A disagreed. Miss A considered that Monzo should be held responsible for some of her loss as it hadn't taken enough steps to check the authenticity of the customers who opened accounts with it and who then went on to commit fraudulent activity.

As the matter hasn't been resolved, it's been passed to me to decide.

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.

First, to clarify, this decision focuses solely on the actions of Monzo – in its capacity as the Receiving Firm of the accounts where Miss A made payments to.

I'm sorry to disappoint Miss A but I'm not upholding her complaint about Monzo. I know she's been the victim of a cruel scam and I don't doubt that these events have had a significant impact on her. But I don't believe Monzo has acted unfairly or unreasonably in its answering of the complaint. I'm satisfied Monzo has met its requirements under the CRM Code and therefore isn't liable for Miss A's losses. I'll 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."

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

I would like to point out to Miss A at this point, 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. However I would like to assure Miss A I have thoroughly reviewed and considered all the information provided before reaching my decision.

Prevention - The account opening process

To help decide 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.

I appreciate Miss A has said she doesn't think Monzo has followed correct procedures as accounts were opened and were subsequently used fraudulently. But in the circumstances of this complaint, I'm satisfied that Monzo carried out checks to verify the identity of the named account holder and did its due diligence when opening the beneficiary accounts. 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 A's loss when opening the accounts.

Detection - Account activity

The primary duty of a bank is 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.

I've looked at the account history for the beneficiary accounts and I can't say there was any account activity that I think would reasonably have stood out to Monzo as suspicious or significantly outside of what might be expected for accounts of that type. I'm also satisfied there was no notification of fraud on the accounts prior to the payments Miss A made into the accounts and no other red flags where it could reasonably be argued that Monzo might have had sufficient grounds to suspect fraud and refuse execution of their customer's payment instructions.

So, from what I've seen, I'm satisfied Monzo has demonstrated that it has 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 reasonably to have had concerns where I would have expected it to have intervened, so I can't fairly say that it could have prevented Miss A's loss in this way either.

Response to notification of fraud

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, Monzo were the Sending Firm and the Receiving Firm, and once notified of the scam by Miss A, I'm satisfied Monzo took the necessary actions required of it and did so in a timely manner. Unfortunately no funds remained in the beneficiary accounts as they had already been moved on / withdrawn from the account.

So, taking the above into consideration 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.

Overall, while Miss A 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 Miss A's money. And it responded appropriately once notified of the fraud. So, it follows that I don't think they are liable to reimburse Miss A for her remaining loss under the CRM Code or otherwise.

My final decision

For the reasons given above, 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 A to accept or reject my decision before 22 April 2022.

Matthew Horner
Ombudsman