

The complaint

Mr K and Ms P are unhappy that Monzo Bank Ltd hasn't reimbursed the money they lost after they fell victim to a safe account scam.

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 December 2020 Ms P received a call from an individual purporting to be from Monzo. Unknown to Ms P at the time, the individual was actually a fraudster. Ms P has explained the fraudster had personal information about her, such as her name, and which accounts she held with Monzo, which reassured her they were genuinely calling from her bank. The fraudster called Ms P from a withheld number, but Ms P had also missed a call earlier that day from an 0800 number, which Ms P later discovered was Monzo's number that the fraudsters had successfully 'spoofed'.

Ms P was asked about 'suspicious activity' on her account which she confirmed wasn't her. Ms P advised the fraudster she was busy at work and asked if she could be called at another time. The fraudster insisted she needed to act fast as her money was otherwise at risk. The fraudster asked if Ms P had responded to any fake emails recently and Ms P confirmed she had - regarding a missed parcel. The fraudster advised this was probably how someone had obtained her banking details. On the instruction of the fraudster, Ms P therefore moved funds from all of her Monzo accounts together, then transferred these funds (totalling £1,405) to what she thought was her new account via online banking.

When Ms P made the transfer, she was asked to select the reason for payment. Ms P initially chose the option 'something else'. Monzo has confirmed that as a result, Ms P would've seen the following warning:

'Stop, don't pay

It's very likely this is a scam

Remember:

If a deal seems too good to be true, it probably is

The name and phone number of legitimate companies can be 'spoofed' or faked

Check who you're paying

Look for official contact details, and if you're not totally confident, please don't pay.

You might not be able to get your money back.'

Ms P then went back to the 'reason for payment' screen and selected 'goods or services'. Monzo has said that as a result of selecting, Ms P would've seen the following warning:

'Stop, don't pay

It's very likely this is a scam

Remember:

Bank transfers arranged online or over social media are at a higher risk of fraud

Bank transfers aren't protected in the same way as card payments

Pay by card if you can

You might not be able to get your money back if this does turn out to be a scam. Find a

legitimate seller who lets you pay by card.'

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

Ms T has explained she chose the 'goods or services' option as the fraudster told her these fraud warnings always came up and to choose this option to proceed with the transfer.

That evening, Ms P told her partner about the call and at that point, realised 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 considers Ms P didn't have a reasonable basis for believing she was speaking with Monzo and therefore making a legitimate transfer. Ms P feels she should be refunded and so has referred her complaint to us. An investigator looked into the 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 Mr K and Ms P 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 Mr K and Ms P lost.
- The money was taken from Mr K and Ms P's current account. It is not clear how they 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 the claim under the Code to the date of payment.

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

I'm satisfied that Monzo has not shown that Ms P lacked a reasonable basis of belief. Monzo has raised that Ms P ought to have been concerned when the fraudster asked if she'd received any fake emails recently, as a bank wouldn't be privy to the emails its customers are receiving. However I disagree on this point. Phishing emails are well known to banks as a method for fraudsters obtaining individual's personal information. I therefore think it's entirely plausible that a bank might ask this question if its customer's information had been compromised, to understand how this may have happened and better ascertain which information had been compromised. In this case I think the fraudster used the knowledge of the phishing email to build trust with Ms P that her details had been compromised, which added to the credibility of the scam.

While the call Ms P had with the fraudster was from a withheld number and not a spoofed number, the fraudster had used spoofing methods to try to contact Ms P earlier that day and Ms P was aware she'd received a missed call from an 0800 number (even though she wasn't aware at that point it was Monzo's). I don't think it's unrealistic for a bank to call a customer on a withheld number – but in any event, failure to undertake validating actions should not in itself lead to a decision not to reimburse – it's important a firm views a customer's actions in context of the overall circumstances. In this case, Ms P had been called on a legitimate number earlier that day and the caller had highlighted that the phishing email she'd completed may have compromised her personal information. I therefore think in the context of this case, Ms P had reasons to believe this call was legitimate, prior to any further validation attempts. I also think it's fair to conclude that had Ms P questioned how she could be confident the caller was from her bank, given the scammer had the ability to call Ms P back on a Monzo spoofed number, having done so once already, it's more likely than not this is what would've happened. And so I'm not persuaded any additional questioning from Ms P would've led to the uncovering of the scam.

Monzo has said Ms P initially saw its 'something else' warning, which provides guidance on fraudsters using number spoofing – it thinks she should've responded to this. However, from the evidence Monzo has provided, it appears Ms P was only on this particular warning screen for around two seconds before reverting back to choose a different payment reason, so I don't think she read it. Based on Ms P's testimony, I think it's likely Ms P chose this first option before being guided to choose a different payment option by the fraudster. I also don't think it's unreasonable for Ms P to have followed the fraudster's guidance when selecting the payment option, considering she believed her money was at risk and she needed to act promptly, particularly when under the impression a Monzo representative was helping her to do this.

Monzo has raised that Ms P never told it during questioning that the fraudster knew details about her account. Having reviewed the conversation with Ms P, I can see Monzo asked a specific question about what personal and account information the fraudster knew. However, Monzo did ask several questions at the same time and at this point, Ms P answered other questions posed to her but not this one. When Monzo repeated the question, it only asked what personal details the fraudster knew and gave examples of name, address and date of birth. This time Ms P did answer this specific question and confirmed which of the examples the fraudster did know. On balance I'm persuaded that what Ms P has told us is a true recollection of the events that took place – in all other aspects of her testimony she has been consistent with what she told Monzo.

In summary, I accept that the case is a finely balanced one but having considered the circumstances holistically, I'm not persuaded that Monzo has shown Ms P didn't have a reasonable basis for believing she was making a genuine transaction. Monzo should therefore refund the funds Mr K and Ms P lost to the fraudster in full.

My final decision

For the reasons I've explained, my final decision is that I uphold Mr K and Ms P's complaint against Monzo Bank Ltd. I require Monzo Bank Ltd to:

- Refund the £1,405 Mr K and Ms P lost to the scammer
- Pay 8% simple interest, from the date Monzo declined their claim under the CRM Code to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K and Ms P to accept or reject my decision before 25 May 2022.

Kirsty Upton
Ombudsman