

The complaint

Mr A is unhappy that Monzo Bank Ltd will not refund all of the money he lost after falling victim to a scam.

What happened

Mr A was looking for vehicle insurance online. He was unemployed but held a private hire licence, so wanted to get back on his feet by working as a taxi driver.

Mr A explains that he had been contacting brokers and insurance companies to try and find the best deal. He found a broker through Instagram. The profile said it could save drivers up to 40% and its posts claimed to have many happy customers.

Mr A started interacting with the broker, initially through messages on the Instagram platform, but he says they also spoke on the phone. The broker came back with a quote that Mr A wanted to go ahead with. Unfortunately, Mr A wasn't speaking with a genuine insurance broker, he was really interacting with a fraudster.

Mr A told the fraudster the date he wanted the cover to start. The fraudster told Mr A that he needed to fill in the payment form. Mr A was going to pay by card. He provided his card details directly to the fraudster. The fraudster told Mr A that the payment was not going through and asked him if he'd got another card. Mr A provided the fraudster with the details for another one of his cards. The fraudster told him that card wasn't working either. The fraudster told Mr A that if he kept trying to pay it would block the quote and he would not be able to get that price again. He told Mr A that he would send him his business account details instead.

Mr A told the fraudster he thought it was strange that his card wasn't working and suggested that the fraudster should pay first, then Mr A would transfer the funds to him instantly afterwards to reimburse him.

Then Mr A contacted Monzo using its chat function. He explained that he'd been trying to make a payment for car insurance for the past day, but it hadn't been working. Monzo checked his account and explained that it couldn't see any payment attempts had been made. Mr A told Monzo that he was going to transfer the money into someone else's account so they could pay it for him. The bank's advisor asked Mr A to tell them how it goes.

Following the conversation, Mr A made a payment of £1,950 to the bank details the fraudster had given him. The fraudster told him the payment had not been received. Mr A contacted Monzo to follow things up. It explained that it can take up to a full day for a payment to be credited and gave him a transaction number so that the recipient could track the payment with their bank.

Mr A explained that he had also sent smaller payments of £1 and £0.01 but they had not been received either. He contacted the fraudster to ask him to trace the funds from his end, but they stopped responding. Mr A contacted Monzo again to ask for advice and it was uncovered at that point that he had probably been the victim of a scam.

Monzo quickly tried to recover the money Mr A sent but was not successful. It then considered whether it was responsible for refunding Mr A for his loss. It accepted that it should have done more to help him when he spoke with the bank's advisor on Monzo Chat. But in its final response letter, it said that Mr A had not taken enough reasonable steps to ensure he trusted the person he was sending money to. It offered to refund half of the money that Mr A had lost. It also offered £40 compensation to acknowledge and apologise for not questioning the legitimacy of the payment when Mr A had gotten in touch.

Mr A wanted Monzo to refund all of the money that he'd lost and pay compensation for the difficult mental and financial situation he'd been left in. He explains that he would not have made the payment at all if he'd been given the correct support and advice from the bank. He referred his complaint to our service.

One of our Investigators looked into the complaint and recommended it be upheld. Initially she said the scam could have been fully prevented if the bank had properly intervened when Mr A had got in touch. Then she noted that whilst Monzo is not a signatory of the Lending Standards Board's Contingent Reimbursement Model (the CRM Code), it has agreed to adhere to it. This means Monzo has made a commitment to reimburse customers who are victims of authorised push payment scams except in limited circumstances. Our Investigator didn't think any of those circumstances applied here.

Monzo had already recognised that it had not provided an effective warning when Mr A was making the payment. But she did not think the bank had been able to establish that Mr A did not have a reasonable basis for believing that the payee was the person he was expecting to pay, the payment was for genuine services and/or that the person he was transacting with was legitimate. She thought Monzo should have fully reimbursed Mr A's loss and recommended that it settled the complaint by refunding the outstanding amount with interest on the sum at the simple rate of 8% a year from the date Mr A made the payment to the date of settlement.

Monzo disagreed. It didn't think Mr A had met his standard of care. It said Instagram wasn't a legitimate source of insurers. It didn't think Mr A had been under pressure to make the payment and felt that some of the things he'd said on Monzo Chat indicated that he was wary about it before making it.

As no agreement could be reached, the complaint was referred to me.

On 25 March 2022, I issued a provisional decision explaining why I did not intend to uphold this complaint.

In my provisional decision, I said I thought the action Monzo had already taken to put things right was fair and reasonable in all the circumstances of this complaint:

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 be good industry practice at the time.

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.

However, where the consumer made the payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for the bank to reimburse the consumer even though they authorised the payment.

When thinking about what is fair and reasonable in this case, I've considered whether Monzo should have reimbursed Mr A in line with the provisions of the CRM Code it has agreed to adhere to and whether it ought to have done more to protect Mr A from the possibility of financial harm from fraud.

There's no dispute here that Mr A was tricked into making the payment. But this isn't enough, in and of itself, for Mr A to receive a refund of the money under the CRM Code. The Code places a level of care on Mr A too.

The CRM Code

Monzo has agreed to adhere to the provisions of the Lending Standards Board Contingent Reimbursement Model (the CRM Code) which requires firms to reimburse customers who have been the victims of Authorised Push Payment (APP) scams like this, in all but a limited number of circumstances.

It is for Monzo to establish that a customer failed to meet a requisite level of care under one or more of the listed exceptions set out in the CRM Code.

Those exceptions are:

The customer ignored an effective warning in relation to the payment being made.

The customer made the payment without a reasonable basis for believing that: the payee was the person the customer was expecting to pay; the payment was for genuine goods or services; and/or the person or business with whom they transacted was legitimate.

There are further exceptions within the CRM Code, but they do not apply in this case.

In this case, I think Monzo has been able to establish that it may choose not to fully reimburse Mr A under the terms of the CRM Code. I'm persuaded one of the listed exceptions to reimbursement under the provisions of the CRM Code applies in the circumstances of this case.

Taking into account all of the circumstances of this case, including the characteristics of the customer and the complexity of the scam, I think the concerns Monzo has raised about the legitimacy of the transaction Mr A was making are enough to support its position that he failed to meet his requisite level of care under the CRM Code for the payment he made. I don't think he had a reasonable basis for believing the payment was for genuine services and the person he transacted with was legitimate. I think Mr A should have had done more than he did to question the deal and to satisfy himself that it was legitimate before making the payment. As this is a different outcome to the one our Investigator reached, I will explain why.

The type of insurance cover Mr A needed was specialist, so I can understand why he wanted to shop around to find the best quote on the market. I accept that genuine insurers and brokers do have a presence on social media so the fact that Mr A came across a broker through this channel isn't, in and of itself, automatically indicative of fraud. But I think Mr A should have questioned in his own mind why the dialogue continued on Instagram after the introduction and why the broker was contacting him to discuss the quote and payment

arrangements fairly late at night. Some of the messages that I've seen were exchanged around half past midnight, which would be very unsociable hours for a legitimate broker to be contacting a client. I've also noted that the language the fraudster was using was not professional.

I am not persuaded that Mr A took sufficient steps to assure himself that he was dealing with a legitimate financial services company. Mr A has explained that he didn't know the person he was speaking to and he did not know the brokerage, but he had checked the Instagram account carefully by looking at positive comments left by other customers. He did not see any evidence of his quote or any details of the proposed cover before making payment. When the bank asked Mr A what steps he had taken to verify the recipient of funds, he said "they just promised me they won't do anything shady and I spoke to them on the phone too."

I've considered the conversations Mr A had with the fraudster over Instagram. He told the fraudster he was being quoted "£3000/3200" for cover. The fraudster later responded to say: "I got you a quote for £1950 +£400 admin fee fully comp no box." Mr A told our Investigator that he didn't think this quote was too good to be true because it was only a few hundred pounds cheaper than the other quotes he'd received, which he considered to be down to competitive pricing. But it seems more likely to me that the difference in premium price was much greater than a few hundred pounds given what Mr A had said about his earlier quotes. Price can be one indicator that there is potentially something untoward about a proposed deal.

I consider that Mr A knew or ought reasonably to have known that the price was out of keeping with how much this type of insurance cover was going to cost him. I think Mr A should have questioned in his own mind why this was the case and made further enquiries to satisfy himself there was nothing untoward about the situation. But from what I have seen, Mr A only asked if there was anything cheaper. After the price was given, he said he had got an ongoing fault accident claim and asked if that would have any affect on the quote he'd been given. He then asked questions about no claims bonus and whether he was the only driver on the policy. Whilst I do not expect Mr A to be an expert in insurance policies or insurance pricing, he has indicated some awareness of factors, such as a previous accident, that may impact the cost of future cover. Against this backdrop, I am not persuaded it was reasonable for Mr A to think this quote was legitimate, even when factoring in the discounts the fraudster told Mr A they could obtain.

This was an expensive policy and Mr A's livelihood was going to be intrinsically connected to it. I think there were 'red flags' present from the information Mr A had and he placed his trust in the broker without any reasonable basis for doing so. I'm not currently persuaded that Mr A took enough care with the purchase to be able to say that he had a reasonable basis for believing that he was buying genuine services from a legitimate broker. From what has been said and provided so far, I think he fell below the level of care expected of him.

Should Monzo have done more to try and prevent the scam and protect Mr A?

I've also thought about whether Monzo did enough to protect Mr A from financial harm from fraud. Mr A has explained that he contacted the bank before making the payment because he was "sure that my bank would be here if anything goes wrong." This was a lot of money for Mr A to spend so I can understand why he wanted to seek some reassurance about the situation.

When Mr A is connected to the payments team, the bank explains that it can't see any declined card payments and that all it can suggest is using another card or waiting a day or two then trying again.

Mr A replies as follows:

"Okay I am going to transfer money into someone else account [sic] so they can pay it for me"

"I just want to let you know"

"The amount is £1950"

"Because I've tried two different bank accounts of mine and it is not working"

"So hopefully it works but I don't want no fraud to happen to my account"

"I am transferring it to the person who is dealing with my insurance"

"Let's hope they don't do anything stupid"

"Just wanted to let you know"

"I am going to do this now"

Monzo's advisor replied around 20 seconds later to say: "Please tell me how it goes."

Monzo has readily accepted that it should have done a lot more here. It goes without saying that the bank is the expert in this situation, and I do recognise that Mr A thought he was doing the right thing by trying to get some advice about a payment he was going to make.

But looking at what Mr A said, I think he had clear doubts about this situation. I consider that he has recognised that there is a risk here and that he has strong suspicions that something is not right. I don't think Mr A can fairly unburden himself of any responsibility for what may happen next, even though he has expressed doubt to the bank about the intended payment. I don't think it is fair and reasonable to place full responsibility on the bank in this situation where Mr A has consciously made a payment in circumstances that are too good to be true and against his own better judgment.

Overall

I'm sorry to hear of what's happened to Mr A and I can understand why he wants to do all that he can to try and recover the money he's lost. He sent his money in good faith and did not receive anything in return for it. Money was already tight for him, so he was left in a difficult position. But I can't fairly hold Monzo responsible for the actions of a fraudster. I can only look at the bank's position on Mr A's fraud claim and its assessment under the CRM Code. For the reasons I have explained, I'm satisfied the bank has been able to establish it can choose not to fully refund Mr A under the CRM Code. I'm also satisfied the bank processed Mr A's payment correctly and it did all it could to help him once it knew what had happened.

Having looked at everything, I think Monzo's offer to refund half of the money Mr A sent plus £40 compensation for the distress and inconvenience it has caused him is an appropriate resolution to this complaint.

I invited further comments and evidence from both parties. Monzo did not respond. Mr A responded to the provisional decision over the phone and I have listened to a recording of him explaining his position in his own words.

In summary, Mr A explained that he was trying to purchase a service and had been looking online for a while as he wanted to find the best deal out there. He explained that he was not going to limit himself to the known platforms if there is a better or cheaper alternative because he wants to get the most for his money. He explained how difficult things have been for him after having a car accident and struggling to find the money needed to repair his vehicle and buy new insurance. He explained that he did the most anyone can do to research and didn't understand what he had done wrong. He pointed out that some legitimate companies are small. He explained that his intentions were pure and he wasn't looking to be scammed; he was looking for something legitimate.

Mr A explained that when he'd found a good deal, he didn't want to waste time and risk losing it and said this is what anyone else would do in the same position. He explains that he thought everything was fine because he'd spoken to the broker on the phone and seen positive reviews from other customers. He pointed out he wasn't just hoping to get the cover for this price, he had been deceived by someone who had seemed very genuine.

Mr A felt that Monzo had let him down and not provided appropriate support when he had done the best he could to communicate with the bank and to try and ensure everything ran smoothly. He pointed out that he wouldn't have contacted the bank before making the transaction if he wasn't sceptical but overall, he believed it was a genuine purchase and that the person he was dealing with was genuine. He explained he is not able to identify scammers but is doing the best he can to support himself and get the best for himself and he expected the bank to do the same for him too. He questioned whether the bank could have done more. He said this was his money and it doesn't belong to the fraudster or to the bank.

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.

Having done so, Mr A's comments have not persuaded me to reach a different conclusion.

I fully accept Mr A's point that people don't want to be scammed and aren't necessarily expecting a transaction to turn out to be a scam. There is no doubt here that Mr A has been the victim of a cruel scam. But this, in and of itself, doesn't mean that the bank has a responsibility to refund the money that's been lost. In broad terms, the starting position in law is that a bank is expected to process payments and withdrawals that its customer authorises it to make. It would only be fair and reasonable for me to say that the bank should have to refund some or all of the money that's been lost if it should have done more in the circumstances to protect Mr A and this would have most likely prevented the scam, or if it should have refunded Mr A because of obligations under the CRM Code.

Monzo has already accepted that it did not do enough to warn Mr A when he contacted the bank and has refunded half of the money that had been lost. But it considered that Mr A had not taken enough care with the purchase and concluded that he didn't have a reasonable basis for believing that it was for a genuine insurance policy and that the person/business he was transacting with was legitimate.

Having weighed everything up, Mr A's comments have not changed my mind. I still think Monzo has established that it is entitled to apply an exception to full reimbursement under the CRM Code. Mr A has said that he did undertake checks and that he had pure intentions. I don't doubt Mr A's belief that he did everything right. But I don't think it was realistic for Mr A to think the specialist insurance cover that he wanted was genuinely being offered for so much less than the other quotes he'd obtained. I understand that people can and do find good deals online and that Mr A wanted to get the best deal that he could. But the quote was

significantly out of keeping with the wider research that he'd undertaken, which is a red flag that something may not be what it appears to be.

Mr A has said that he was to some extent sceptical, but ultimately he thought he was dealing with a genuine person and a genuine company based on his own assessment of the interactions they had. In my provisional decision, I highlighted reasons why I found those interactions to have been concerning. Mr A didn't know this person or the brokerage they were purporting to be connected to. He'd not used their services before and did not know anyone else personally that had. Mr A and the broker were in contact to arrange insurance over social media platforms very late into the evening and the language the broker was using was unprofessional and overly familiar. I'm also mindful that at the time Mr A agreed to buy the insurance policy, he'd not seen any quotation paperwork or documentation setting out the details of the cover or any significant clauses that he needed to be aware of in order to decide if the insurance was going to be right for him. I don't think Mr A's interactions were sufficient to give him peace of mind that he was dealing with a genuine insurance broker.

I've thought carefully about Mr A's comments about wanting to not lose a good deal and about the social media page appearing legitimate, with followers and posts showing what looked like satisfied clients. But given the nature of the platform used, it wasn't really possible for Mr A to verify the truth of what he was seeing in that platform alone. As such I don't find it was reasonable to place such heavy reliance on this as a means of judging the broker and the policy to be genuine, at least not in the face of the other concerning elements present.

Where it can be established that a customer has not met the required level of care, the CRM Code says liability should be shared equally with the customer. Here I've found that Monzo has established that Mr A didn't meet that level of care, and so the bank's offer to reimburse half his loss already has the effect of sharing the liability equally with him. I can't fairly require it to do more than that in the circumstances of this complaint.

Mr A questioned whether the bank could have done more to try and protect him from financial harm. Monzo has already agreed that although Mr A was making an unremarkable payment, it should have done more to engage with him when he asked the bank for help. It refunded him half of the money he'd send to recognise this.

Once it was made aware of the scam, Monzo acted quickly to try to recover the funds Mr A had sent, but no money remained. Unfortunately, it is not unusual that fraudsters will quickly move funds on leaving nothing to be retrieved and this was sadly the case here. I don't think there was anything further I could reasonably have expected from Monzo in the attempts it made to recover Mr A's funds.

I realise that my decision will be disappointing for Mr A and I don't underestimate the impact this matter has had on him. But overall, for the reasons I've explained both here and in my provisional decision which is outlined above and forms part of this final decision, I can't fairly or reasonably ask Monzo to refund the remainder of the money that he lost or to pay any further compensation.

My final decision

My final decision is that I do not uphold this complaint about Monzo Bank Ltd.

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

Claire Marsh

Ombudsman