

The complaint

Miss C is unhappy because Monzo Bank Ltd (Monzo) did not reimburse the money she transferred to a fraudster.

What happened

Both parties are aware of the circumstances of the complaint, so I won't repeat them all here. But briefly, Miss C was approached on social media by a well-known influencer I'll call W with an investment opportunity. W had previously set up or been involved in the setting up of other e-commerce businesses and he and his partner, who I'll refer to as M, had big social media followings and had worked with credible brands. Once Miss C agreed to invest, she was added to a chat group with numerous other investors. They were told not to share any details of the investment with others.

Miss C paid £1,000 in two payments in July 2020 to invest in four start-up companies that W was setting up. For an investment of £250 in each company Miss C was offered a 0.4% shareholding per company and 2% dividends. When the companies were set up M was listed as the director of them.

W later advised investors that he'd spent the £100,000 they'd jointly invested and then stopped communicating with them. Miss C says other investors have been reimbursed by their banks. She reported the scam to Monzo on 16 May 2021.

Monzo didn't agree to provide Miss C with a refund and said that Miss C was involved in a civil dispute and so the CRM Code doesn't apply. It contacted the bank that received Miss C's funds the day she reported the scam but was advised that no funds remained.

Our investigation so far

Initially the investigator agreed that this is a civil dispute but after reviewing additional evidence was persuaded Miss C was the victim of a scam. Evidence from the police and the bank that received Miss C's funds strongly indicated that Miss C was the victim of a scam. In addition to this, he said there is no evidence that any of the four companies that Miss C and others were investing in have ever traded and shares were only allocated when scam reports emerged. It has also become clear that there are many other victims of the same scam and that other banks are satisfied their customers are the victims of a scam.

The investigator felt that Miss C should receive a full refund under the CRM Code, together with interest. He said Miss C had a reasonable basis for believing she was making payments to a legitimate payee because:

- Although Miss C found out about the investment on a social media platform, the influencer involved was crowdfunding to launch new businesses, so the concept wasn't unreasonable.
- Miss C had followed the influencers involved for some time and they had a track record in setting up successful new businesses.
- The rate of return wasn't unreasonable.

- Although Miss C had no paperwork, she went through an application process.

Monzo didn't agree with the investigator's view. In summary, it said:

- The CRM Code wasn't set up to insure people against bad investment decisions.
- The conclusion the investigator reached puts customers in a position where they'll gladly take a risk knowing they will get their money back.
- Miss C didn't complete any checks before making the payments. Had she done so she'd have found out about previous issues (I assume Monzo is referring to the fact the new companies were set up in M's name, probably because W had been declared bankrupt) and the companies hadn't been set up for investors. Miss C also didn't have a contract.

As no agreement could be reached, the case was passed to me for a final decision.

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.

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.

When thinking about what is fair and reasonable in this case, I've considered whether Monzo should reimburse some or all of the money Miss C lost in line with the provisions of the Lending Standards Board Contingent Reimbursement Model CRM Code (CRM Code) it has agreed to adhere to, and whether it ought to have done more to protect Miss C from the possibility of financial harm from fraud

The CRM Code requires firms to reimburse customers who have been the victims of APP scams like this in all but a limited number of circumstances. The exception set out in the CRM Code that is relevant to this case is:

- 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.

Civil dispute or scam?

Monzo didn't consider Miss C's case under the CRM Code because it said she had a civil dispute with W and hadn't been scammed. The CRM Code only applies to victims of a scam. After carefully considering all the evidence I'm persuaded that Miss C was the victim of a scam. I have set out below why.

- The police have provided evidence that concludes that it's more likely than not Miss C and others are the victims of a scam.
- The bank that received Miss C's funds has provided evidence of many other scam reports that are very similar in nature to Miss C's.
- Once Miss C and others joined the group chat, they were told not to share any details of the investment with family and friends. If the investment was genuine there would

be no reason to keep it a secret.

- Although W promised Miss C (and other investors) a contract this didn't materialise. If the investment was genuine then contracts would be supplied.
- W wasn't a director of any of the companies Miss C invested in.
- W disclosed to various investors that all of the £100,000 invested had been spent and later blocked Miss C and other investors from social media and stopped responding to messages. These aren't the actions of someone who is offering a genuine investment.
- Although all four companies were incorporated in July 2020 shares weren't allocated until a year later. This seems to coincide with complaints that were made by Miss C and others to their banks.

Having decided that the CRM Code applies I've gone on to consider whether Miss C had a reasonable basis for believing the payments were for a genuine investment.

Did Miss C have a reasonable basis for believing the payment she made was legitimate?

I have carefully considered Monzo's representations about whether Miss C had a reasonable basis for believing the transactions to be genuine. Having done so, I am not persuaded that Miss C 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 hasn't shown that Miss C lacked a reasonable basis of belief because:

- Miss C had followed W and M on social media for five years. Each of them had a large number of followers. At the time Miss C reported the scam to Monzo in May 2021 she said W had nearly 27,000 followers and M 192,000 followers. This made Miss C feel they were both credible.
- W had launched successful businesses in the past and M was affiliated to large brands. These factors reasonably led Miss C to believe they could successfully launch further genuine businesses and build on their success.
- This was a different type of investment that was more akin to crowdfunding and so attracting investors through a social media platform didn't seem out of the ordinary.
- Miss C was investing in start-up businesses so the usual checks that might be completed when investing funds weren't relevant to this investment. The businesses weren't incorporated at the time Miss C made the first, and larger, payment and so a Companies House check wouldn't apply.
- Miss C wasn't being offered an unrealistic rate of return that might reasonably have led to concern.
- When Miss C made the first payment, she was provided with a message that said she was sending funds to someone Monzo couldn't verify. I don't consider this confirmation of payee unable to match result affected Miss C's reasonable basis for belief. The wording wasn't specific to investment scams, didn't explain the essential features of such a scam or of social media scams and didn't provide Miss C with any

advice about how to avoid falling victim to such a scam. It simply said she may not get her money back if she was the victim of a scam.

- Miss C hadn't invested before, so I consider her actions were reasonable based on her level of experience. The amount she invested also wasn't huge compared with average investment amounts.
- Although Miss C wasn't provided with a contract the group chat she has shared shows a contract was requested and W said one was being prepared.

Should Monzo have done more to try to prevent the scam and protect Miss C?

I'm also mindful that when Miss C made these payments, Monzo should fairly and reasonably also have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud. So I've also considered whether the payments Miss C made were unusual or suspicious.

The payments Miss C asked Monzo to make (for £800 and £200) were in line with what Monzo might reasonably have considered the normal operation of her account. I don't consider these were payments that should have particularly stood out to Monzo as being unusual or indicative of possible fraud. They were low in value and made over three weeks apart. In such circumstances, I find Monzo was obliged to make the payments in accordance with Miss C's instructions and I do not find it at fault for having done so. This finding is relevant to when interest is payable from.

Overall, I consider that under the terms of the CRM Code, Monzo should have refunded the money Miss C lost as none of the permitted exceptions to reimbursement apply in the circumstances of this case. Monzo should also pay interest on the money it should have refunded at 8% simple per year from the date Monzo declined Miss C's claim to the date of payment.

My final decision

I uphold the complaint and award Miss C £1,000 plus interest at 8% simple per year from the date Monzo Bank Ltd declined Miss C's claim to the date of settlement (less any tax that is lawfully deductible).

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 17 August 2022.

Jay Hadfield
Ombudsman