

The complaint

Ms D is unhappy because Monzo Bank Ltd did not reimburse the money she transferred to a fraudster.

Background

In December 2020, Ms D was looking for a place to rent for a few months in London. She saw an advert for a flat she was particularly interested in and contacted who she believed was the owner. Unfortunately, unbeknownst to Ms D at the time, she was actually speaking to a fraudster.

The fraudster told Ms D that she was currently working abroad so couldn't show Ms D around the flat as requested – however, the fraudster suggested Ms D made payment through a well-known home rental website and that if Ms D didn't like the property, the website would be able to refund her. Ms D was sent an email link to what she thought was the home rental's website, where she was instructed on how to make a payment. However, this website was in fact spoofed and payment was made directly to the fraudster. Ms D paid £1,950 through her Monzo online banking app, which she believed was to cover her rent and bills for two months, plus one month's deposit.

On the day Ms D was supposed to move, she hadn't received any contact from the fraudster or the home rental company. Realising she'd been the victim of a scam she contacted Monzo to raise a claim.

Monzo investigated Ms D's fraud claim and considered its obligations to provide Ms D with a refund. Monzo has agreed to act in the spirit of the Lending Standards Board Contingent Reimbursement Model (CRM) Code, although it isn't a signatory of it. 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. Monzo says one or more of those exceptions applies in this case.

Monzo has said Ms D didn't have a reasonable basis for believing she was making a genuine payment for accommodation. Monzo considers Ms D ought to have done more checks to make sure the person she was making the payment to was genuine. Monzo also considered it provided Ms D with an effective warning at the time she made the payment.

Monzo contacted the beneficiary bank to attempt to recover Ms D's money, but unfortunately no funds remained in the account.

Ms D disagreed with Monzo so brought the complaint to our service. One of our investigators considered the case and didn't uphold it – she thought that, in the circumstances, Ms D ought to have completed further checks to verify that the rental advert was genuine. She also didn't consider there was a requirement for Monzo to provide an effective warning, due to the value of the payment Ms D made. The investigator therefore didn't consider that Monzo needed to do anything to put things right for Ms D.

Ms D didn't agree with the investigator, so the case has been referred to me for a 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, while I'm sorry to disappoint Ms D, I'm not upholding her complaint. I'll explain why.

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 Ms D under the provisions of the CRM Code and whether it ought to have done more to protect Ms D from the possibility of financial harm from fraud.

There's no dispute here that Ms D was tricked into making the payment. She thought she was making a genuine payment towards rental accommodation and that didn't happen. But this isn't enough, in and of itself, for Ms D to receive a refund under the CRM Code. The Code places a level of care on Ms D too.

The CRM Code

As I've mentioned, the Lending Standards Board Contingent Reimbursement Model (the CRM Code) 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 and it is for Monzo to establish that a customer failed to meet their requisite level of care under one of the listed exceptions set out in the CRM Code.

Under the CRM Code, a bank may choose not to reimburse a customer if it can establish that*:

- The customer ignored what the CRM Code refers to as an "Effective Warning" by failing to take appropriate action in response to such an effective warning
- The customer made payments without having 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

**Further exceptions outlined in the CRM Code do not apply to this case.*

I think Monzo has been able to establish that it may choose not to reimburse Ms D 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.

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 Ms D was making are enough to support its position that she failed to meet her requisite level of care under the CRM Code for the payment she made. I don't think Ms D had a reasonable basis for believing the person she transacted with was legitimate. I'll explain why.

Ms D was told she could rent the accommodation in question for £650 per month, which would include her bills. Having considered the size and location of the property, and the fact Ms D wasn't able to view the property in advance, I think this should've raised some alarm bells with Ms D as an unrealistic price. Having researched other genuine rental properties in a similar location I can see they're largely advertised for upwards of £1,000 per month. I appreciate Ms D has said she has not been in the country for a long time and so is less aware of property prices in London – I understand prices can vary, but I'm aware Ms D worked reasonably nearby to the area of London she was looking to rent in, so would've had some understanding of the area, which I think would've been supported by the browsing for properties she'd already been conducting.

In addition, while Ms D was sent a spoofed website regarding making a payment for her accommodation, the request asked Ms D to make the payment to an account name that matched neither the person she believed she'd been corresponding with, nor the rental website in question. I think again this should've raised concerns and further questions been asked before proceeding.

With the above in mind, in the particular circumstances of this case, I consider that Ms D ought to have had concerns about the legitimacy of the rental offer she'd seen and that, in turn, ought to have led to a greater degree of checking on Ms D's part. In not carrying out sufficient checks I don't find she had a reasonable basis for believing the rental offer was genuine and so fell below the level of care expected of her under the CRM Code.

Should Monzo have done more to try to prevent the scam and protect Ms D?

I've thought about whether Monzo did enough to protect Ms D from financial harm.

The CRM Code says that where firms identify APP scam risks in a payment journey, they should provide Effective Warnings to their customers. The Code also says that the assessment of whether a firm has met a standard or not should involve consideration of whether compliance with that standard would have had a material effect on preventing the scam.

I am also mindful that when Ms D made this payment, 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 (among other things).

In this case, having considered the payment Ms D made, I don't think it was so remarkable, in comparison to her usual account activity, that Monzo should've identified the payment as a potential fraud risk. Therefore, while I don't consider the warning Monzo provided was 'effective' under the Code, I also don't think there was a requirement for this particular payment for Monzo to provide an effective warning. I therefore don't think Monzo failed to meet its standards under the Code by not doing so, prior to processing the payment.

Once it was made aware of the scam, Monzo tried to recover Ms D's funds, but unfortunately was advised by the beneficiary account that no funds remained. Having considered the short timeframes within which Monzo contacted the beneficiary account to make it aware of the

scam, I don't think Monzo could reasonably have done anything further to recover Ms D's payments.

Overall, I'm satisfied that Monzo's position on Ms D's fraud claim, and its assessment under the CRM Code, is fair and reasonable in all of the circumstances and that Monzo shouldn't be held liable for Ms D's losses. And so I don't intend to make an award to Ms D.

I do sympathise with Ms D as she's clearly been the victim of a cruel scam. And I don't doubt Ms D genuinely believed she was paying towards accommodation. But the circumstances of the case and the evidence available lead me to find I'm unable to uphold this complaint.

My final decision

My final decision is that I don't uphold Ms D's complaint against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 9 August 2022.

Kirsty Upton
Ombudsman