

## **Complaint**

Mr T is unhappy that Monzo Bank Ltd won't reimburse him after he fell victim to an investment scam.

## **Background**

The background to this case is well known to the parties and was set out at length in the Investigator's view, so I don't intend to repeat it here. Briefly, Mr T has an account with Monzo. In 2020, he used that account to make payments that he believed related to an investment but were in fact to a scammer.

He'd been researching potential investment opportunities online when he encountered a company which purported to offer investment services. It had a website promoting its services and a fairly extensive presence on social media. Mr T contacted a representative of this company and was persuaded to transfer his money into a fund it controlled.

He was told that he was signing up to an arrangement where profits on all investments would be divided evenly between him and the firm managing his investment. He was asked to sign several apparently official documents which persuaded him that the opportunity was a genuine one.

He made several payments to bank accounts in the names of private individuals. The scammer told him that these were the names of employees of the firm. The initial payments he made from his Monzo account were quite small. He paid £200 at first. Four days later, he transferred £500. The scammer convinced Mr T that the investment performed well. It was on the basis of that apparently strong performance that he was persuaded to invest more of his money. In total, he invested a little over £10,000.

Once he realised that he'd fallen victim to a scam, he notified Monzo but it said it wouldn't reimburse him. Mr T was unhappy with this and so he referred his complaint to this service. It was looked at by an Investigator who upheld it. The Investigator considered the complaint under the Contingent Reimbursement Model ("CRM") Code. He didn't think that Monzo had demonstrated that any of the exceptions to reimbursement under the code applied here. He was satisfied that Mr T had a reasonable basis to believe that he was paying into a genuine investment.

Monzo argued that:

- Mr T didn't carry out enough checks on the person he was paying.
- It wasn't reasonable for him to take any comfort from the fact that he couldn't find any negative reviews of the company online.
- He should've been more apprehensive of the fact that most of his communications with the scammer took place on social media and a messaging app. A reputable firm wouldn't do this.

- The website that the scammer built didn't look particularly professional and Mr T shouldn't have been reassured by it.
- The returns on offer from this investment opportunity were clearly too good to be true.

Because Monzo disagreed with the Investigator's opinion, the complaint has been passed to me to consider.

## Findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In doing so, 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 have been good industry practice at the time. I've also considered the voluntary CRM Code, which Monzo has agreed to adhere to and was in force at the time.

The starting principle under the code is that a firm should reimburse a customer who is a victim of an Authorised Push Payment (APP) fraud except in a small 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. In opting to not reimburse Mr T, Monzo has relied on the following exception:

*A Firm may choose not to reimburse a Customer if it can establish [that] in all the circumstances at the time of the payment, in particular the characteristics of the Customer and the complexity and sophistication of the APP scam, the Customer made the payment without a reasonable basis for believing that:*

- (i) *the payee was the person the Customer was expecting to pay;*
- (ii) *the payment was for genuine goods or services; and/or*
- (iii) *the person or business with whom they transacted was legitimate.*

I'm mindful of the fact that this isn't an objective test. When considering whether Monzo has done enough to show that this exception applies, I must bear in mind the individual characteristics of Mr T as its customer. I've considered the evidence on this point carefully and I'm not satisfied that Monzo can rely on this exception to reimbursement.

I think the direct communications between Mr T and the scammer were generally plausible. The scammer asked Mr T to go through a series of fake processes to persuade him that he was dealing with a genuine investment provider. This included agreeing to the terms of a detailed contract. The scammer also told him that information about the trades being placed on his behalf was proprietary information and so he needed to sign a non-disclosure agreement.

Monzo has argued that Mr T should've been more sceptical of an investment opportunity that came to his attention on social media and that his communications with the scammer took place via a social messaging platform. I'm not persuaded by that argument. Mr T became aware of this apparent opportunity on a social media platform on which most major financial businesses have a presence. The ongoing communications took place via a messaging app. This would be an unusual practice for a mainstream business. However, I don't think it would've been unusual from Mr T's perspective that ongoing communications would take place using the quickest and simplest means of communication possible,

particularly given that he'd been told his money was being invested in a range of financial instruments where timing was particularly important.

There's also been some concern regarding the website that was set up by the scammer. Mr T said that he consulted this website and that it was one of the things that persuaded him to invest his money. Monzo has said that the website wasn't particularly professional in appearance. It isn't live anymore and hasn't been for some time, although it's possible to see a partial archive of it stored online by the Wayback Machine.

All that is visible now is a menu of options in a column on the left-hand side of the page. There's an archive of a blog with the post titles that relate to personal finance and investment. As far as I can see, none of those posts appear to have been archived. The background images that might have lent this website a professional aesthetic haven't been saved as part of the archive. It's therefore very difficult to visualise what Mr T might have seen when he looked at it at the time. However, I've not been able to identify anything in the evidence I've seen that ought to have put Mr T on notice of the risk that this investment was really a scam. Overall, I'm not persuaded that the website can be used to justify the exception to reimbursement Monzo is seeking to rely on.

I've also thought about the returns that Mr T was promised before he invested. Clearly, these weren't in line with those available to the typical retail investor. I can also see that Mr T was assured that the risk to his capital was very low. Mr T lacked knowledge and experience in the field of investments. A more experienced customer would likely have been more sceptical of the promises the scammer made. However, I'm satisfied he acted reasonably when that lack of knowledge is factored in. I understand he'd monitored the social media profile of the scammer for several months before contacting him. In addition, the pattern of payments suggests that he proceeded with some degree of caution. The first were fairly small - £200 and £500 respectively. It was only the apparently strong performance of his upfront investment that persuaded him to invest further.

He tells me that he did look online to find anything that might suggest cause for concern. He was reassured by the fact that he didn't find any negative reviews. Monzo has argued that Mr T should've checked the website of the Financial Conduct Authority to see if the company was authorised or spoken to a financial advisor. It says that the mere absence of negative reviews isn't a very good basis for deciding that an opportunity like this one isn't a scam. I agree with that, but given Mr T's relative inexperience, the fact that he was persuaded by what he found when he conducted online research doesn't persuade me that he acted carelessly. Overall, I'm not persuaded that Monzo has demonstrated Mr T didn't have a reasonable basis for believing that the company he was investing with was a legitimate one.

## **Final decision**

For the reasons I've set out above, I uphold this complaint.

If Mr T accepts my final decision, Monzo Bank Ltd should refund the payments he made in connection with this scam.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 24 February 2023.

James Kimmitt  
**Ombudsman**