

The complaint

Miss U is unhappy with Monzo Bank Ltd because it's not refunding the money she lost after she became the victim of a scam.

What happened

I'm not going to cover all the points raised in detail. The view of 19 November 2021 covered the detailed timeline of the transactions and the details of Miss U's testimony. But briefly:

Miss U has said she was the victim of a scam. She explained that her 16-year-old brother was looking for a £100,000 loan for a football scholarship. Miss U says her brother found a loan with an organisation - I will refer to as T. T advised that, due to her brother's age, a guarantor would be needed to guarantee the loan repayments. So, Miss U agreed to make the repayments. Between 15 February 2021 and 3 March 2021, Miss U made around 15 payments totalling £14,845. Initially T told Miss U she needed to make the first repayment before receiving the loan money as her credit score was so low. It then told her she needed to transfer various sums of money in advance of the loan to cover things such as, insurance, fast track payment and solicitors' fees.

I have summarised the disputed transactions below:

Date	Amount	Funds remaining on 5 March 2021	Funds left account within
15 February 2021	£595	£0	1 hr 14 mins
17 February 2021	£950	£0	6 mins
18 February 2021	£1,750	partial	2 mins
19 February 2021	£1,750	full	
23 February 2021	£950	£0	5 mins
25 February 2021	£900	partial	16 mins
25 February 2021	£450	partial	16 mins
1 March 2021	£975	£0	11 mins
1 March 2021	£575	£0	1 min
1 March 2021	£900	full	
1 March 2021	£650*	Not on list for recovery	
2 March 2021	£900	£0	20 mins
3 March 2021	£1,750	£0	8 mins
3 March 2021	£950	£0	8 mins
3 March 2021	£800	£0	8 mins

Monzo didn't think Miss U took enough steps to check who she was paying and what for. It believes she placed her account at risk and that she didn't take reasonable measures to protect herself. It also believes Miss U ignored an effective warning.

Our investigator did not uphold the complaint. She felt that even if Miss U had received an effective warning, she would have proceeded with the payments anyway. She also didn't think Miss U had a reasonable basis for believing the payments she made were for a genuine purpose. However, it transpired that Monzo had actually been able to recover some of Miss U's funds but hadn't returned these to her – so it proposed to return those along with simple interest at the rate of 8% per annum.

Miss U did not accept the investigator's view. I issued my provisional decision explaining why I was reaching a slightly different outcome to the investigator.

Monzo withdrew its offer to refund the £650 – a transaction that it did not reach out to the beneficiary bank to seek recovery of. It replaced this with an offer for 50% of the transaction (so £325). Although we sought to explain to Monzo that it would in fact need to find out what the actual position was with the beneficiary bank at the time it should have reached out – it declined to do so. We explained the position to Miss U and that if we reached out to the beneficiary bank she could get more or less than the offer from Monzo depending on what the actual position was. Miss U decided to accept the £325.

Monzo also didn't agree an award for £350.00 distress and inconvenience would be appropriate in this case. It said it admitted that it made an error in reaching out and has now credited Miss U 50%. It proposed to offer a credit of £75.00 for dispute handling errors.

Monzo made no further comments on my proposals for it to refund 50% of the transactions from 2 to 3 March 2021 inclusive.

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.

I have considered Monzo's response to my provisional decision.

Monzo withdrew its offer to refund the £650 – a transaction that it did not reach out to the beneficiary bank to seek recovery of. It said there was a misunderstanding its end. It replaced this with an offer for 50% of the transaction (so £325). Although we sought to explain to Monzo that it would in fact need to find out what the actual position was with the beneficiary bank at the time it should have reached out – it declined to do so.

Monzo ought to realise that liability in this instance is not 50% of the transaction – but instead it should reflect the actual position the consumer would have been in had it reached out in a timely manner. That would require it knowing what, if any, funds remained within a timely manner of Miss U reporting the scam.

However, we explained the position to Miss U and that if we reached out to the beneficiary bank she could get more or less than the offer from Monzo depending on what the actual position was with any remaining funds. As Miss U has decided to accept the £325 – we haven't reached out to the beneficiary bank to find out the actual position and I've not considered this point any further.

Monzo also didn't agree an award for £350.00 distress and inconvenience would be appropriate in this case. It said it admitted that it made an error in reaching out and has now credited Miss U 50% of that transaction. It proposed to offer a credit of £75.00 for dispute handling errors.

I think Monzo has misunderstood what my award for £350 for distress and inconvenience reflects. It is not just a matter of Monzo failing to reach out on one of the transactions. It is actually the fact that *it did reach out* and recovered funds from four of the transactions amounting to £2,680.25. This was in March 2021. Monzo did not return these funds to Miss U as it should have done. Instead it kept the recovered funds that were rightfully Miss U's. It wasn't until our involvement in January 2022 that this came to light.

So, other than the 50% offer on the £650 transaction, I see no reason to depart from the conclusions set out in my provisional decision. I have concluded that the fair and reasonable outcome, in all the circumstances, would be to uphold this complaint in part. For completeness, I have set this out below.

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. There's no dispute here that Miss U authorised the payments.

However, where a customer makes a payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for the bank to reimburse the customer 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 Miss U in line with the provisions of the Lending Standards Board Contingent Reimbursement Model (the CRM Code) it has agreed to adhere to and whether it ought to have done more to protect Miss U from the possibility of financial harm from fraud.

There's no dispute here that Miss U was tricked into making the payments. She thought she was paying fees towards a loan and this wasn't the case. But this isn't enough, in itself, for Miss U to receive a refund of the money under the CRM Code. The Code places a level of care on Miss U too.

The CRM Code

Monzo has agreed to adhere to the provisions of the CRM Code. 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.

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:

- Miss U ignored an "effective warning" in relation to the payment being made.
- Miss U made the payment without a reasonable basis for believing that: the payee was the person she was expecting to pay; the payment was for genuine goods or services; and/or the person or business with whom Miss U transacted was legitimate.

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

Did Miss U have a reasonable basis for belief?

I don't think Miss U had a reasonable basis for believing the payments were for a genuine loan or that the person she transacted with was legitimate. I say this because:

- The loan was for £100,000 and repayments £595 per month over 20 years. In my view this was a big commitment and one that should have led to a greater degree of checking on Miss U's part.
- The paperwork reflected that the £100,000 loan agreement was in Miss U's 16-year old brother's name - with paperwork to follow about Miss U acting as guarantor. I don't think it would be reasonable to expect a legitimate loan company to offer a £100,000.00 to a 16-year-old – even with a guarantor.
- Miss U has not suggested that she completed any research before transferring her money (certainly in the first instance) to check she was doing so safely. She didn't search the loan company or check the number they were calling from before making the payments. Miss U says she relied on the research she thought her brother completed.
- Miss U was sent documentation by email about the loan from the scammers. There were several errors on the documents – including spelling mistakes (the actual loan company's name was spelt incorrectly) and grammatical errors. In addition, the contact telephone number on the documentation appears to be for a company which has no link to T. The company registration number (at the bottom of the page) related to another separate financial organisation. Overall, the language used by the scammer wasn't professional and isn't what I'd expect of a genuine loan provider. This should have caused suspicion.
- The loan agreement explained that for 'creditability and affordability check' the first loan payment would need to be paid in advance. This is not the usual way for a credit checks to be carried out. Miss U acknowledged she thought this was unusual.
- Unfortunately, the website given to Miss U from the scammers is no longer active but Monzo says it was able to view it when it first looked into Miss U's complaint. It says the address on the website was for a launderette and that the website showed as being unsecure. It says this should have caused concern for Miss U.
- Miss U paid 10 different individual payees none of which resembled a business account. This is not what I'd expect if Miss U was transacting with a genuine company. Miss U acknowledged that the number of different payees caused her concern and she says she questioned this. But I don't consider the explanation she was given by the scammer was particularly persuasive.
- It's clear that at some stages Miss U had doubts and asked the scammer about her concerns. She relied on the scammer's answer that it was all okay. I consider that if Miss U had these doubts, she ought reasonably to have done more to check elsewhere that the loan company was legitimate.
- I note from the chat history between Miss U and Monzo that on 1 March 2021, Miss U explained to Monzo that she was worried she might be getting scammed by the loan company (something I will come on to below). Monzo sent a response acknowledging her message and told Miss U not to send any more money whilst they looked into it. Despite this, Miss U continued to make transfers until the final transfer on 3 March 2021.

Overall, I think there was enough going on to have raised significant concerns about the transactions Miss U was making from the start. And this, fairly and reasonably, ought to have

led to Miss U taking a more cautious approach in deciding whether to make the payments. I think further steps could, and should, have been taken, in order to meet the required level of care under the CRM Code. So, I can't fairly say that Miss U met her requirements under the Code.

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

The CRM Code says that where firms identify authorised push payment scam risks in a payment journey, they should take reasonable steps to provide effective warnings (as set out in the CRM Code) 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'm also mindful that when Miss U 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 she was at risk of fraud. So, I've also considered whether the payments Miss U made were unusual or suspicious. But the payments were for relatively small sums and not made in quick succession and they were not unusual based on Miss U's normal account activity. I don't consider that the payments were so unusual, or out of character, that Monzo should have recognised a scam risk.

Under the standards for firms, a firm is only required to give an effective warning under the CRM Code when it identifies an authorised push payment (APP) scam risk in the payment journey.

In this case, for the reasons explained, I don't think payments Miss U made ought reasonably to have been considered an APP risk by Monzo, so I don't think it needed to provide effective warnings under the code.

However, on 1 March 2021, Monzo was put on notice that Miss U was potentially falling victim to a scam. Miss U had sent a message using the bank's chat function. She explained she had been sending payments to a particular bank account she was asking Monzo if it was a legitimate account. She explained she was trying to get a loan - but was being made to send payments to different accounts. And after Monzo responded asking her not to make any further payments, she explained that said she'd been making payments to these people because of the loan that she was getting but she was starting to think maybe it could be a scam. She said she didn't know why she had to send different payments to different accounts. I think this ought reasonably to have flagged to Monzo as a potential loan fee scam.

Whilst I accept these events support Miss U continued not to have a reasonable basis for belief – as she ignored the bank's advice not to make any more payments - I also think Monzo ought to have identified a risk in the payment journey at this point and therefore provided an effective warning. It also took it longer than 8 hours to get back in touch with Miss U with a more meaningful conversation about the scam. If the conversations that took place on 3 March 2021 had been brought forward - I think it would have made a difference. In fact, I think it would have been more effective if Monzo had called Miss U.

Monzo has said that in all but one of the transactions (where the payment was to an existing payee) Miss U was shown warnings about the types of scams that can sometimes be perpetrated when she processed the payment. Based on what Monzo has sent us, I don't think this warning would be considered effective as defined by the CRM code - which sets out effective warnings should be understandable, clear, impactful, timely and specific. The warning doesn't relate to Miss U's situation or the scam she was falling victim to. It doesn't bring to life the nature of the scams by setting out how fraudsters tend

to perpetrate them, and it doesn't refer to the consequences of making a scam payment. So, I don't think it was impactful or specific. Because Monzo hasn't been able to demonstrate Miss U ignored effective warnings after it was put on notice that she was potentially falling victim to a scam on 1 March 2021 - this exception doesn't apply to those last four payments.

I don't think Miss U met her requisite level of care, but also that Monzo could've done more to protect Miss U for the last four transactions.

It therefore follows that I currently don't think that Monzo's refusal to reimburse Miss U for the transactions up to (but not including) 2 March 2021 is unfair or unreasonable.

However, because I think Monzo ought to have done more from 2 March 2021, I think a 50% split of liability is a fair and reasonable outcome for the transactions on 2 and 3 March 2021.

Did Monzo do enough to recover Miss U's funds?

Monzo contacted the receiving bank at 09:00 on 4 March 2021. The beneficiary bank responded on 5 March 2021 explaining full and partial funds remained in accordance with the table above. It also provided details of when the unrecoverable funds left the accounts. Having considered these, even if I said Monzo ought to have acted sooner in chasing recovery, I don't consider it would make a difference in this case as the scammers removed the remaining funds within minutes of the transactions taking place.

However, as I understand it, Monzo received the recovered payments of £2,680.25 on 5 March 2021 but only offered to return this sum to Miss U when the investigator questioned it in January 2022. I also made further enquiries, via the investigator, regarding the payment of £650 on 1 March 2021 - as I couldn't see this listed on the request for recovery of funds on 4 March 2021. Monzo has now agreed to refund 50% of this transaction – so £325 and Miss U has accepted that offer.

I've also considered whether Monzo should pay Miss U further compensation to recognise the distress and inconvenience she's experienced as a result of its actions. Monzo's failure to sufficiently act - specifically with regard to the recovery of funds and returning what was due to Miss U, has had an impact on Miss U, not least because she has been facing the very real possibility that she would not get any of her money back. Monzo had an opportunity to return recovered funds and ensure it asked for all transactions to be recovered. Miss U has explained the impact of this scam on her and I consider Monzo has exacerbated this by not returning funds in a reasonable timescale. So, I think Monzo should pay Miss U a further £350 compensation to reflect the unnecessary distress it has caused her.

I realise Miss U may still be disappointed with this outcome, I do accept she has fallen victim to what can only be described as a cruel and callous scam. I'm sorry she has lost money and I can understand why she would like to be compensated for all her losses. However, despite my natural sympathy for the situation she finds herself in ultimately, I don't think that Monzo's refusal to reimburse Miss U for those initial transactions unfair or unreasonable. I do think it should refund 50% of the last four transactions.

.Putting things right

I require Monzo Bank Ltd to put things right as follows:

- Return the recovered funds of £2,680.25 to Miss U

- Add interest at the rate of 8% simple per annum to the above from the date of recovery to the date of settlement
- Return £325 of potentially unrecovered funds
- Add interest at the rate of 8% simple per annum to the above from the date funds ought to have been recovered to the date of settlement
- Refund 50% of the transactions that took place on 2 and 3 March 2021
- Add interest at the rate of 8% simple per annum from the date of the transactions to the date of settlement
- Pay £350 toward the distress and inconvenience caused

If Monzo is legally required to deduct tax from the interest should send Miss U a tax deduction certificate so she can claim it back from HMRC if appropriate.

My final decision

My final decision is I uphold the complaint in part and require Monzo Bank Ltd to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss U to accept or reject my decision before 27 July 2022.

Kathryn Milne
Ombudsman