

## **The complaint**

Miss C is unhappy that Monzo Bank Ltd won't refund the money she's lost to a scam.

## **What's happened?**

Miss C says she carried out an internet search for a new loan, then applied to several lenders via their websites. She was subsequently contacted via telephone by a company which I'll refer to as 'U'. U told her she'd been approved for a loan but, before she could have the money, she would need to make a payment of £150 via bank transfer for Payment Protection Insurance ('PPI') – to protect her in the event that she couldn't make the scheduled loan repayments. Miss C made the PPI payment as instructed, and she sent copies of some documents to U – such as her driving license and bank statements – so it could complete its lending checks.

Miss C says the call with U ended abruptly after she'd made the PPI payment and she never received any loan funds. She realised she'd been scammed and contacted Monzo for assistance.

Monzo approached the receiving bank shortly after Miss C reported the scam to it, but no funds have been recovered. And the bank has declined to reimburse Miss C under the Lending Standards Board's Contingent Reimbursement Model ('CRM Code') because it's said she was not duly diligent and didn't take reasonable steps to check who she was paying.

## **What did our investigator say?**

Our investigator found that Monzo should have reimbursed Miss C under the provisions of the CRM Code. Monzo didn't agree, so Miss C's complaint has now been passed to me to decide.

## **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.

Monzo isn't yet a signatory of the CRM Code, but it's allowed us to apply the Code's principles to complaints we consider against it which meet the relevant criteria.

The CRM Code requires firms to reimburse customers who have been the victims of Authorised Push Payment ('APP') scams, like the one Miss C has fallen victim to, in all but a limited number of circumstances. Monzo has argued that one of the exceptions applies in this case. It says that Miss C made the payment without a reasonable basis for belief that the payee was the person she was expecting to pay, the payment was for genuine goods or services and/or the business or person she was transacting with was legitimate.

Monzo doesn't appear to be relying on an argument that Miss C ignored an effective warning that it gave during the payment journey. So, I won't address this topic in any detail. But, for

the sake of completeness, I will say that I've looked at the warning Miss C was given and I don't think it was effective – although I wouldn't expect Monzo to have given a warning in this case due to the nature and value of the payment.

In thinking about whether Miss C had a reasonable basis for belief, I've considered what steps she took to reassure herself about the legitimacy of the transaction, and whether it was reasonable for her to proceed with the payment.

Overall, I'm satisfied that Miss C had a reasonable basis for belief on this occasion. I say this because:

- Miss C has said that the websites she visited when applying for new loans appeared genuine to her.
- Miss C had recently applied for new lending with several companies when U contacted her – the telephone call did not come 'out of the blue'. She was expecting lending decisions off the back of the applications she'd made, and that's what she received. I can see why she didn't question the authenticity of U's call.
- U requested identification documents so that it could complete its lending checks and provided an email address for Miss C to send them to. I'm of the opinion that this lends an air of legitimacy to what was happening. It is common for lenders to request such documentation to support loan applications.
- The loan Miss C applied for was for people on a low income and/or with a poor credit score. So, I think it makes sense that the lender would ask customers to take out PPI, or something similar, in case they couldn't meet the repayments. I acknowledge that information on U's website says that lending comes with no fees. I don't know if Miss C saw this, but PPI is not the same thing as a fee for lending in any event.

Monzo has pointed to some 'red flags' in the scam and some potential flaws in Miss C's recollection of events. I acknowledge the bank's points, but they don't lead me to conclude that Miss C didn't have a reasonable basis for belief. I'll explain why below:

- U's website may look fake to Monzo, with the benefit of its industry knowledge about fraud, and the available links may well be broken now. But I have no way of knowing for certain whether the links worked at the time of Miss C's application. She says that they did, and that U's website didn't look fake to her. I have no reason to disbelieve her. She has been consistent throughout her testimony and, even if she has incorrectly recalled this part of what happened, I don't think it has any bearing on her basis for belief – she applied for loans with several companies, by whatever means, and she was expecting lending decisions.
- The money that Miss C transferred to U was sent to an account in an individual's name. Miss C has explained that she did query this, and she was told that her payment needed to go to that account before it could be used to purchase PPI. She was satisfied with this explanation and reassured by U's apparent trustworthiness. I don't think this is unreasonable in all of the circumstances.
- Monzo has pointed out that checking the FCA's register and/or carrying out an internet search on the telephone number U provided Miss C with would've revealed that U was operating a scam. I accept this. But Miss C has said she had no knowledge of the FCA at the time, and I suspect this is common amongst laymen. And although there was undoubtedly more Miss C could've done to protect herself here, I'm not persuaded that she ought to have realised she should do more in the

circumstances.

Looking at everything, I'm satisfied that the scam was sophisticated, and I don't think it's unreasonable that it went undetected by Miss C.

To conclude, I'm satisfied that Monzo should have reimbursed the money Miss C lost to this scam under the terms of the CRM Code. I'm not persuaded that any of the permitted exceptions to reimbursement apply in the circumstances of this case.

### **My final decision**

For the reasons I've explained, my final decision is that I uphold this complaint and instruct Monzo Bank Ltd to:

- reimburse Miss C's loss within 28 days of receiving notification of her acceptance of my final decision; plus
- pay 8% simple interest per year from the date Miss C should have received a full refund under the CRM Code to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 12 October 2022.

Kyley Hanson  
**Ombudsman**