

## The complaint

Mr B and Miss S are unhappy because Monzo Bank Ltd (Monzo) did not reimburse the money Miss S transferred to a fraudster.

## What happened

This complaint concerns two payments from Miss S's sole account and then two payments from a joint account she holds with Mr B. As Miss S completed all the transactions, I'll mainly refer to her in my decision.

Miss S was approached via social media by someone who described themselves as an "official cash promoter agent". She was offered guaranteed returns which were risk and tax free and was told that the investment was certified by "*the world financial organisation*", the IRS and a named company. The agent told Miss S that funds were invested worldwide in multi-million investments like betting, sports, house foreclosures, trading and stocks. Miss S was told that deals changed daily but was initially advised of rates of return in under an hour of £5,000 for a £300 investment, £6,000 for a £400 investment and £7,500 for a £500 investment.

Miss S took out a loan with Monzo for £8,150 on 12 May 2021. The funds were paid into a newly opened Monzo account.

On the instructions of the agent Miss S initially tried to make a £350 payment through an online money transfer company. The agent talked her through screenshots, and she tried to pay one named individual twice and was then asked to pay a different individual.

Miss S then made payments from Monzo accounts as follows:

Date	Amount	Recipient	Account
12/05/21	£1,000	1	Miss S
12/05/21	£500	2	Miss S
12/05/21	£1,850	3	Miss S & Mr B
12/05/21	£1,300	4	Miss S & Mr B

Miss S was asked to pay different individuals as they were responsible for the departments preparing the paperwork.

At one stage Miss S was told that she wouldn't receive the £18,500 she'd been told she would but would instead receive £350,000. This was because she had been selected third in a prize draw.

On the evening of 12 May 2021 Miss S contacted Monzo through its in-app chat to report that she was the victim of a scam. She said she'd looked online and seen thousands of similar scams. Miss S later asked Monzo not to go ahead with the scam claim as the person she had paid had offered to refund her. Monzo provided advice and Miss S asked it to proceed with the fraud claim.

Monzo didn't agree to refund Miss S and Mr B's lost funds. It said Miss S hadn't taken enough steps to check who she was paying and what she was paying for.

#### *Our investigation so far*

The investigator who considered this complaint recommended that Monzo refund 50% of Mr B's and Miss S's losses plus interest. He wasn't persuaded Monzo had been able to establish that Miss S ignored an effective warning and also said that she didn't have a reasonable basis for believing she was paying a legitimate payee for a legitimate service.

Monzo didn't agree with the investigator and said that if Miss S didn't have a reasonable basis for believing she was paying for a legitimate service she shouldn't receive a refund under the CRM Code. Monzo also said that it has systems in place to flag unusual transactions and it's unrealistic to expect it to prevent all fraudulent payments.

As Monzo didn't agree with the investigator's findings the complaint was passed to me to consider. I issued my provisional decision on 4 May 2022 and said,

*I've considered all the evidence and arguments to decide what is fair and reasonable in all the circumstances of the 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 have reimbursed Miss S and Mr B under the provisions of the CRM Code and whether it ought to have done more to protect them from the possibility of financial harm from fraud.*

*There's no dispute here that Miss S was tricked into making the payments. But this isn't enough for Miss S and Mr B to receive a refund of the money under the CRM Code. The Code places a level of care on Miss S and Mr B too.*

*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*
- *The customer has been grossly negligent*

*\*The two further exceptions outlined in the CRM Code do not apply to this case.*

*Taking into account all of the circumstances of this case, including the characteristics of Miss S and Mr B and the complexity of the scam, I think the concerns Monzo has raised about the legitimacy of the transactions Miss S made are enough to support its position that she failed to meet her requisite level of care under the CRM Code for the payments she made. I don't think she had a reasonable basis for believing the payments were for genuine services or that the person she transacted with was legitimate. I'll explain why. I should also say that it's the combination of these factors that lead me to believe Miss S didn't have a reasonable basis for belief and that none of them can be considered alone.*

- *Miss S was contacted by someone from a social media site that is not an investment*

platform. Out of the blue contact offering an attractive deal is a common sign of a scam.

- The investment Miss S was offered did not sound genuine and the rate of return she was offered and the timescale to receive it were too good to be true. Miss S was offered a rate of return of over 1600% on a £300 investment and was told it would take around 45 minutes to receive this return. This rate of return and timescale was totally unrealistic. The return was also said to be guaranteed. I consider that the promised returns were so unlikely that Miss S ought reasonably to have had significant concern about the legitimacy of the opportunity. That, in turn, ought to have led to a greater degree of checking on her part.
- The scammer didn't claim to represent a company and didn't give a company name, although she did refer to other departments. This is unusual but Miss S didn't question it.
- The language used by the scammer wasn't professional and wasn't what I'd expect of a genuine trader. She used words like "sweetie" and "darling" in her messages.
- The scammer claimed to be regulated by the world financial organisation, the IRS and a named company. None of these organisations are involved in regulation and Miss S has not suggested that she completed any research before transferring her money to check she was doing so safely.
- Initially Miss S was asked to make payments through an online money transfer service, but the payment attempts weren't successful. She tried three times to make a payment to two individuals and on each occasion the payment reason Miss S was told to use was family support. I've not seen any evidence to suggest Miss S questioned why she should use this payment reason for an investment and consider it should have been a red flag to her that something was wrong. There was also a discussion about Miss S calling her bank and the scammer told her to say she was paying an aunt for her medical bills. I consider Miss S should have been concerned about being told to lie to her bank about the reason for the payment.
- Miss S paid four different individual payees. This is not what I'd expect if she was investing through a genuine company and I don't consider the explanation she was given by the scammer was particularly persuasive.
- Miss S didn't complete any research before deciding to go ahead and invest. When she reported the scam to Monzo she said, "The payee details appeared ok and weren't disputed so I didn't think to do anymore". Particularly given the other red flags in this case, I consider Miss S should have taken some time to complete some basic checks to satisfy herself she wasn't at risk of being scammed.
- After she'd made the payments Miss S did an internet search and found numerous scams of this nature. So if she'd have checked sooner, she could have avoided falling victim to this scam.
- It's clear that at some stages Miss S has doubts and asked the scammer whether the investment was legitimate. She relied on the scammer's answer that it was 100 per cent guaranteed and secure. I consider that if Miss S had these doubts, she ought reasonably to have done more to check the agent and the investment were legitimate.

Miss S has explained that she also made payment/s from an account with another bank which refunded her within days of reporting the scam. But this doesn't mean that Monzo should also provide a refund. I'm required to consider the individual circumstances of Miss S and Mr B's complaint against Monzo and so I can't consider what another financial business has chosen to do.

Should Monzo have done more to try to prevent the scam and protect Miss S and Mr B?

*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 S 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 S made were unusual or suspicious.*

*On 12 May 2021 Miss S applied for a Monzo loan of £8,150. The reason given was home improvements. The loan funds were paid into a personal Monzo account that was new to Miss S, so there was no previous activity on the account. Miss S then made two faster payments of £1,000 and £500 to two new payees. I don't consider Monzo should have flagged these payments as unusual or uncharacteristic as they were for relatively small sums and there was no previous activity on the account to compare the payments to. It's also common to receive loan funds and make payments soon after. So I don't consider Monzo was required to give an effective warning to Miss S in respect of these payments and I believe Monzo acted reasonably in processing them.*

*Miss S also made two payments from her joint account with Mr B. This account was mainly used for the payment of bills and I can see there was a regular payment of £795 from this account. I don't consider that the payments of £1,300 and £1,850 were so unusual or out of character that Monzo should have recognised a scam risk and provided an effective warning (as defined by the CRM Code).*

*The investigator awarded Miss S and Mr B 50% of their losses as he thought Monzo hadn't given effective warnings during the payment journey. But under the standards for firms, Monzo 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. I've concluded above that I'm not persuaded Monzo should have recognised a scam risk when it processed any of the four payments and so I think Monzo met the standards required of it. This means that I do not propose to award Miss S and Mr B 50% of their losses as the investigator did.*

*Did Monzo do enough to recover Miss S and Mr B's funds?*

*I've also considered Monzo's actions once it was made aware of the scam. Miss S reported the scam on the evening of 12 May 2021 and Monzo contacted all four receiving banks on 13 May 2021. The banks that received the payments of £1,000 and £500 both confirmed that no funds remained so there was nothing further Monzo could do.*

*I understand that the bank that received the £1,300 payment returned the full amount to Monzo on 1 June 2021. Monzo only returned this sum to Miss S and Mr B after I questioned why it hadn't refunded it in March 2022 and hasn't provided an explanation for the delay. Miss S has explained the impact of this scam on her mental health and I consider Monzo has exacerbated this by not returning funds in a reasonable timescale. So I think Monzo should pay Miss S and Mr B £200 compensation to reflect the unnecessary distress it has caused them.*

*The bank that received the payment of £1,850 confirmed on 13 May 2021 that partial funds remained and asked Monzo to provide an indemnity, which Monzo provided on 15 May 2021. I've seen evidence to confirm that Monzo has chased this bank on at least two occasions but has not heard anything more. I can't hold Monzo responsible for this. Miss S and Mr B may wish to consider complaining to this bank as some funds may remain.*

*I also consider Miss S is still responsible for loan repayments in respect of the loan she took out on 12 May 2021.*

### **Overall**

*I consider Miss S didn't have a reasonable basis for believing she was making payments for a genuine service and/or the agent she communicated with was a legitimate trader. I'm sorry to have to disappoint Miss S and Mr B, but I can't fairly say Monzo should have done more or that it should refund the money that they have lost. But I think Monzo should pay them £200 compensation.*

Monzo agreed with my provisional decision. Miss S also responded and made the following points:

- It was hard to believe Monzo checked whether any funds remained in respect of the £1,000 and £500 payments.
- When she took the loan out, she wasn't in a good place. Miss S would like Monzo to write off the remaining £750 of the loan to alleviate the pressure she feels about paying this off.
- Given her mental health at the time she was vulnerable and an easy target.
- The compensation award of £200 doesn't reflect what she has gone through and Monzo has withheld funds in the past.

### **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.

After carefully considering the responses I have received I have reached the same outcome as I did in my provisional decision and for the same reasons. The relevant parts of my provisional decision are reproduced above.

As I said in my provisional decision, I've seen evidence to confirm that Monzo contacted the bank that received £1,850 from Mr B and Miss S's joint account, provided an indemnity as requested and then chased this bank but didn't receive a response. I consider Monzo has done what I'd expect. I can't comment on the actions of the other bank in this decision about Monzo.

I've also seen evidence of Monzo's contact with the banks that received the first two payments and the responses received – confirming that no funds remained. So I'm satisfied there's nothing more Monzo should do.

I turn now to Miss S's request to write off the balance of the loan she took out with Monzo. Most of the loan funds were repaid when the scam was uncovered but Miss S has asked Monzo to write off the outstanding balance. To require Monzo to write off this loan I'd need to be satisfied that Monzo acted unreasonably in giving Miss S the loan for the reason she stated on the application – home improvements.

I have seen evidence from Monzo that confirms it took into account information from Miss S's credit file, her credit score, information on her profile, the information she used in the loan application and information about her use of her Monzo account. Monzo went on to complete an affordability check which demonstrated the loan repayments were affordable over the period of the loan. In the circumstances, it is Miss S's responsibility to repay the outstanding balance.

In her response to my provisional decision Miss S said that she was vulnerable and so an easy target when she fell victim to the scam. The CRM Code says that customers should be reimbursed, irrespective of whether any exceptions apply, if they were vulnerable to the extent that they were unable to protect themselves from the scam. The wording in the CRM Code is as follows:

*“A Customer is vulnerable to APP scams if it would not be reasonable to expect that Customer to have protected themselves, at the time of becoming victim of an APP scam, against that particular APP scam, to the extent of the impact they suffered.”*

I asked Miss S to provide me with evidence of her vulnerability and the impact it had on her at the time she fell victim to the scam to assess whether she was vulnerable as set out in the CRM Code. Miss S has explained that her medication was increased after the scam as it was hard for her to manage her affairs at this stage. But I've not seen any evidence that at the time of the scam Miss S couldn't have protected herself from becoming a victim of this scam and so I can't conclude she was vulnerable as set out in the CRM Code.

Miss S doesn't think the compensation I have awarded reflects what she has suffered. But it's important to remember that the scammer in this case was responsible for most of the stress Miss S suffered. Monzo didn't return funds when it should have, which has exacerbated an already difficult situation. But I consider the £200 I have awarded fairly reflects the additional and unnecessary stress Monzo caused.

### **My final decision**

I require Monzo Bank Ltd to pay Mr B and Miss S £200 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Miss S to accept or reject my decision before 16 August 2022.

Jay Hadfield  
**Ombudsman**