

The complaint

Miss T is unhappy because Monzo Bank Ltd (Monzo) did not reimburse the money she transferred to a fraudster.

What happened

Both parties are aware of the circumstances of the complaint, so I won't repeat them all here. But briefly, Miss T was approached on social media by a well-known influencer I'll call W with an investment opportunity. W had previously set up or been involved in the setting up of other e-commerce businesses and he and his partner, who I'll refer to as M, had big social media followings and had worked with credible brands. Once Miss T agreed to invest, she was added to a chat group with numerous other investors. They were told not to share any details of the investment with others.

Miss T paid £1,000 in two payments in July 2020 (on 5 and 12 July) to invest in four start-up companies that W was setting up. For an investment of £250 in each company Miss T was offered a 0.4% shareholding per company and 2% dividends. When the companies were set up M was listed as the director of them.

Miss T and others who had invested later discovered they were victims of a scam and W stopped communicating with them. She reported the scam to Monzo on 18 May 2021. Miss T says other investors have been reimbursed by their banks.

Monzo didn't agree to provide Miss T with a refund and said she was involved in a civil dispute and so the CRM Code doesn't apply. It contacted the bank that received Miss T's funds on the day she reported the scam but was advised that no funds remained.

Our investigation so far

The investigator who considered Miss T's complaint recommended that it be upheld in full. He concluded that this was not a civil dispute between Miss T and W. He also said Miss T had a reasonable basis for believing the investment was legitimate because:

- W had proven entrepreneurial experience and had set up businesses before. Miss T had purchased products from W in the past at sales events.
- Before she invested Miss T received communications from W that persuaded her the investment was genuine.
- Although the promised contract didn't materialise, Miss T went through an application process.
- Miss T wasn't given a warning that would affect her reasonable basis for believing it was a genuine investment.
- Miss T's actions were reasonable for a first-time investor.

Monzo didn't agree with the investigator. In summary, it said:

- It previously thought this was a civil dispute because it thought one of the start-up companies was real but now knows this isn't the case.

- Miss T didn't perform sufficient checks before investing.
- The application process was through WhatsApp, which isn't a legitimate trading platform.
- An investigation into the four start-up companies gives no indication that they are legitimate businesses. For three of the companies first accounts are overdue and there is no website.

As no agreement could be reached, the case was passed to me for a final decision.

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.

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 reimburse some or all of the money Miss T lost in line with the provisions of the Lending Standards Board Contingent Reimbursement Model CRM Code (CRM Code) it has agreed to adhere to, and whether it ought to have done more to protect Miss T from the possibility of financial harm from fraud

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. The exception set out in the CRM Code that is relevant to this case is:

- The customer made the payment without 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.

Civil dispute or scam?

Monzo now seem to accept that Miss T is the victim of a scam and so I don't need to go into any detail. For the sake of completeness though, I'm persuaded that Miss T has been scammed. There are numerous reasons for this including police evidence and evidence from the bank that received Miss T's funds.

Having decided that the CRM Code applies I've gone on to consider whether Miss T had a reasonable basis for believing the payments were for a genuine investment.

Did Miss T have a reasonable basis for believing the payment she made was legitimate?

I have carefully considered Monzo's representations about whether Miss T had a reasonable basis for believing the transactions to be genuine. Having done so, I am not persuaded that Miss T failed to take the requisite level of care required for Monzo to choose not to reimburse under the terms of the CRM Code.

I'm satisfied that Monzo hasn't shown that Miss T lacked a reasonable basis of belief because:

- Miss T had followed W and M on social media for six years and each had a large number of followers. This made Miss T feel they were both credible.
- W had launched successful businesses in the past and M was affiliated to large

brands. These factors reasonably led Miss T to believe they could successfully launch further genuine businesses and build on their success.

- This was a different type of investment that was more akin to crowdfunding and so attracting investors through a social media platform didn't seem out of the ordinary.
- Miss T was investing in start-up businesses so the usual checks that might be completed when investing funds weren't relevant to this investment. The businesses weren't incorporated at the time Miss T made her payments and so a Companies House check wouldn't apply.
- Miss T wasn't being offered an unrealistic rate of return that might reasonably have led to concern.
- When Miss T made the first payment, she was provided with a message that said she was sending funds to someone Monzo couldn't verify. I don't consider this confirmation of payee unable to match result affected Miss T's reasonable basis for belief. The wording wasn't specific to investment scams, didn't explain the essential features of such a scam or of social media scams and didn't provide Miss T with any advice about how to avoid falling victim to such a scam. It simply said she may not get her money back if she was the victim of a scam.
- Miss T hadn't invested before, so I consider her actions were reasonable based on her level of experience. The amount she invested also wasn't huge compared with average investment amounts.
- Although Miss T wasn't provided with a contract the group chat she has shared shows a contract was requested and W said one was being prepared.

In its response to the investigator's view Monzo provided information about the four companies Miss T was investing in and referred to the fact that first accounts were overdue and three of the companies didn't have a website. At the time Miss T invested though, the companies were being set up (they were incorporated on 20 July 2020) and so it wouldn't have been a red flag that they didn't have websites. And as the companies were new, accounts weren't overdue at that stage. I can't say Miss T didn't have a reasonable basis for believing the investment to be genuine based on information that has come to light after she made her payments.

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

I'm also mindful that when Miss T 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 T made were unusual or suspicious.

The payments Miss T asked Monzo to make (for £800 and £200) were in line with what Monzo might reasonably have considered the normal operation of her account. I don't consider these were payments that should have particularly stood out to Monzo as being unusual or indicative of possible fraud. They were low in value and made around a week apart. In such circumstances, I find Monzo was obliged to make the payments in accordance with Miss T's instructions and I do not find it at fault for having done so. This finding is relevant to when interest is payable from.

Putting things right

Overall, I consider that under the terms of the CRM Code, Monzo should have refunded the money Miss T lost as none of the permitted exceptions to reimbursement apply in the circumstances of this case. It's not clear how Miss T would have used the money if Monzo had refunded it when it should have done, so Monzo should also pay interest on the money

it should have refunded at 8% simple per year from the date Monzo declined Miss T's claim to the date of payment.

My final decision

I uphold this complaint and award Miss T £1,000 plus interest at 8% simple per year from the date Monzo Bank Ltd declined Miss T's claim to the date of settlement (less any tax that is lawfully deductible).

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 29 August 2022.

Jay Hadfield
Ombudsman