

## **The complaint**

Miss G 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, in June 2020 Miss G 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 G 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 G paid £1,000 in two payments (£800 in July 2020 and £200 in March 2021) to invest in four start-up companies that W was setting up. For an investment of £250 in each company Miss G was offered a 0.4% shareholding per company and 2% dividends indefinitely. When the companies were set up M was listed as the director of them.

W later advised investors that he'd spent the £100,000 they'd jointly invested and then stopped communicating with them. Miss G says other investors have been reimbursed by their banks. She reported the scam to Monzo on 16 May 2021.

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

Miss G says the scam has severely affected her mental health.

## *Our investigation so far*

The investigator who considered this complaint recommended that it be upheld in full. He noted that police, receiving bank and other evidence all led him to believe Miss G was scammed. The investigator also thought Miss G met the standard required of her under the CRM Code to receive full reimbursement. In summary, this was because:

- W had a history of successful entrepreneurial activity
- Miss G had followed W for many years
- Miss G received detailed communications about plans, designs and marketing
- There was an application process that involved Miss G providing a copy of her passport and other information
- Monzo hasn't demonstrated it provided a warning that could have affected Miss G's reasonable basis for belief
- It was Miss G's first investment and her actions were reasonable in light of this.

Miss G accepted what the investigator said but Monzo did not. In summary, Monzo said:

- This is a civil dispute. The fact that Miss G didn't receive any profits doesn't mean it's a scam.
- Miss G invested in start-up companies and all but one folded. Monzo provided a quote from Miss G that said only one of the four companies launched and she's not received any profits.
- Miss G's decision to invest was based on promises and a curated social media lifestyle and she didn't have a reasonable basis to believe the investment was genuine. She didn't complete any checks and invested through a private individual who wasn't registered to provide advice on where and how to invest. Miss G took no steps to ensure W was in a position to provide such advice.
- Monzo provided a link to what the FCA register says about a crowdfunding company and said that if Miss G had used a crowdfunding platform the platform would have been responsible for checking regulation.

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 G 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 G 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 didn't consider Miss G's case under the CRM Code because it said she had a civil dispute with W and the CRM Code doesn't apply to civil disputes. It said Miss G entered a business deal that went wrong and should pursue the matter through the courts. After carefully considering all the evidence I'm persuaded that Miss G was the victim of a scam. I have set out below why.

- The police have provided evidence that concludes that Miss G and others involved in the same investment are the victims of a scam. This information has been shared with Monzo.

- The bank that received Miss G's funds has provided evidence of many other scam reports that are very similar in nature to Miss G's. This information is confidential, and I can't go into any detail here, but relevant evidence has been shared with Monzo in other cases.
- Once Miss G and others joined the group chat, they were told not to share any details of the investment with family and friends. If the investment was genuine there would be no reason to keep it a secret.
- Although W promised Miss G (and other investors) a contract this didn't materialise. If the investment was genuine then contracts would be supplied.
- W wasn't a director of any of the companies Miss G invested in although he led Miss G to believe he would be.
- W disclosed to various investors that all of the £100,000 invested had been spent and later blocked Miss G and other investors from social media and stopped responding to messages. These aren't the actions of someone who is offering a genuine investment.
- Although all four companies were incorporated in July 2020 shares weren't allocated until a year later and none of the companies have traded. This information can be seen on the Companies House website. It seems to me to be more likely than not that shares were allocated after multiple complaints were raised to Monzo and other banks in around May 2021. I don't agree with Monzo's comment that all but one of the start-up companies folded and Miss G simply made a poor investment decision. Accounts have never been filed for any of the companies.

Having decided that the CRM Code applies I've gone on to consider whether Miss G had a reasonable basis for believing the payments were for a genuine investment.

*Did Miss G have a reasonable basis for believing the payments she made were legitimate?*

I have carefully considered Monzo's representations about whether Miss G had a reasonable basis for believing the transactions to be genuine. Having done so, I am not persuaded that Miss G 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 G lacked a reasonable basis of belief because:

- Miss G had followed W and M on social media for around four years. Each of them had a large number of followers which made Miss G feel they were both credible.
- W had launched businesses that appeared to be successful in the past and M was affiliated to large brands. These factors reasonably led Miss G 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 G 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 G made the first, and larger, payment and so a Companies House check wouldn't apply.
- Miss G wasn't being offered an unrealistic rate of return that might reasonably have led to concern. Each investor was offered a 0.4% shareholding in four companies and ongoing dividends.

- Miss G went through an application process and was provided with business plans that persuaded her the investment was genuine.
- When Miss G 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 G's reasonable basis for belief.
- Miss G 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 G wasn't provided with a contract, I've seen messages from W on the group chat that confirmed a contract was being prepared. And business plans were discussed.

In its response to the investigator's view Monzo said that Miss G did nothing to check that W was registered to provide investment advice and that if she'd have used a crowdfunding platform then the platform would have been responsible for checking regulation. But W didn't offer Miss G and others investment advice which would necessitate FCA registration – he offered a stake in four companies that hadn't been incorporated. And the crowdfunding company Monzo provided a link to as an example is only authorised by the FCA for very limited activities that aren't relevant in this case. But in any event, I don't think it would be reasonable to expect Miss G to understand financial regulation to this extent.

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

I'm also mindful that when Miss G 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 G made were unusual or suspicious.

The payments Miss G 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 over three weeks apart. In such circumstances, I find Monzo was obliged to make the payments in accordance with Miss G's instructions and I do not find it at fault for having done so. This finding is relevant to when interest is payable from, which should be the date Monzo declined Miss G's claim rather than the date of each payment.

I'm sorry to hear about the effect of this scam on Miss G's mental health. I realise how distressing scams can be. But I have also taken into account the fact that much of the distress and inconvenience Miss G has experienced was as a result of the actions of a cruel scammer. In the circumstances, I don't consider it fair to ask Monzo to do anything more.

### **Putting things right**

Overall, I consider that under the terms of the CRM Code, Monzo should have refunded the money Miss G lost as none of the permitted exceptions to reimbursement apply in the circumstances of this case. It's not clear how Miss G 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 G's claim to the date of payment.

**My final decision**

I uphold the complaint and award Miss G £1,000 plus interest at 8% simple per year from the date Monzo Bank Ltd declined Miss G'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 G to accept or reject my decision before 27 September 2022.

Jay Hadfield  
**Ombudsman**