

The complaint

Miss F complains that Monzo Bank Ltd did not reimburse the money she transferred to a fraudster.

What happened

Miss F has been the victim of two social media investment scams. The first one happened on 26 May 2021 when Miss F received a request to follow a lady who messaged her about trading. Miss F has admitted she knew nothing about trading and didn't complete any research but agreed to transfer £1,000 to the lady's manager on 26 May 2021. She was provided with a link and log in details that didn't work. A little later Miss F was sent a screenshot which showed she'd made a profit of 18,000 USD and was told she needed to pay £5,000 to release it. This figure was later reduced to £3,500.

Miss F had some concerns about the request to pay a release fee. She found another trader via social media and asked for guidance. Miss F was told that if she was asked for a settlement fee it was a scam.

On 4 June 2021 Miss F reported the first scam to Monzo. After investigating Miss F's claim, Monzo decided not to reimburse her. It said that it provided an effective warning and that Miss F didn't complete any research to ensure the investment was legitimate. Miss F was signposted to information to help her protect herself from fraud. Monzo communicated its decision to Miss F on 6 June 2021.

The new trader Miss F contacted offered her a new investment opportunity which Miss F was keen to pursue to recoup her lost funds, which she says were going to be used towards a deposit for a house. Miss F was told if she invested £1,000 the trader would invest on her behalf. Later that day the trader told Miss F that if she invested a further £1,250 her profits would increase. Miss F was then told she'd made a profit of 22,000 USD but in order to release the profit she'd need to pay £3,900. Miss F made the payment but was told that profits had increased by £7,500 and she needed to pay a further fee of £2,500. When Miss F explained she didn't have this amount the fee was reduced to £1,900.

I've set out below the payments Miss F made in the two scams:

Date	Amount	Which scam?
26/05/21	£1,000	1
09/06/21	£1,000	2
09/06/21	£1,250	2
09/06/21	£3,900	2
09/06/21	£1,900	2
Total	£9,050	

Monzo didn't agree to refund Miss F. It said it provided her with an effective warning and Miss F didn't complete any checks to ensure the investment was legitimate.

Miss F wasn't happy with Monzo's response and so raised a complaint with this service. Her representative has explained that the scam has had a huge impact on Miss F financially and emotionally and that it has affected her health.

Our investigation so far

The investigator concluded that Miss F didn't have a reasonable basis for believing she was paying legitimate payees when making the payments involved in both scams. For the first scam she didn't consider a warning was required and so Miss F wasn't entitled to a refund of the £1,000 she transferred. In respect of the second scam, the investigator felt that an effective warning should have been provided for the £3,900 payment. The warning Monzo provided was good but not effective as it didn't set out the consequences of continuing with the payment. As Miss F confirmed she ignored the warning the investigator didn't recommend that Monzo provide a refund under the CRM Code though.

The investigator went on to consider whether Monzo should have done more to protect Miss F. She thought that the payment of £3,900 should have triggered a conversation with Miss F, at which stage the scam would have been uncovered and the loss prevented. This was because it was the third payment to a new payee on the same day, the amounts were increasing and Monzo was aware that Miss F had recently fallen victim to a scam. The investigator asked Monzo to refund 50% of the £3,900 payment and the final payment, plus interest.

Miss F accepted the investigator's findings but Monzo did not. It said:

- The CRM Code says it can deny full reimbursement where a customer isn't vulnerable, has no reasonable basis for belief or ignores an effective warning. In the circumstances, Monzo has fulfilled its obligations under the CRM Code by not reimbursing Miss F. A 50% refund under the CRM Code only applies where a firm and a customer are responsible, and this isn't the case here.
- The investigator's belief the last two payments should have been flagged by Monzo is opinion based and outweighed by the CRM Code. She has not provided any confirmation of why Monzo should reimburse outside of the CRM Code.
- The CRM Code says Monzo should have a process or systems in place for detecting and preventing payments intended for scammers and it has. The CRM Code doesn't specify when a payment should be halted for checks.

The complaint has been passed to me to issue 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.

When thinking about what is fair and reasonable in this case, I've considered the Lending Standards Board's voluntary Contingent Reimbursement Model (the CRM Code). Monzo hasn't signed up to the CRM Code but has agreed to follow its principles. I've gone on to consider whether Monzo ought to have done more to protect Miss F from the possibility of financial harm from fraud.

Under the CRM Code, Miss F should be reimbursed despite exceptions applying, if she was vulnerable to the extent that it wouldn't be reasonable to expect her to protect herself from the particular scam she fell victim to. From what I've seen, I don't think this applies to Miss F. I say this because Miss F recognised the scam risk when she was asked to pay an additional amount in the first scam and didn't go ahead. Miss F's messages to the scammer in the second scam also show that she was alert to scams. She mentioned to the scammer that she wanted to confirm the investment was legitimate and was hesitant as a family member had been scammed.

I've gone on to consider Miss F's claim under the CRM Code. There's no dispute that Miss F was tricked into making the payments. But this isn't enough for her to receive a full refund of the money under the CRM Code. The Code places a level of care on Miss F 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

**Further exceptions are outlined in the CRM Code but do not apply to this case.*

Did Miss F have a reasonable basis to believe she was making legitimate payments.

Taking into account all of the circumstances of this case, including the characteristics of Miss F and the complexity of the scam, I think the concerns Monzo has raised about the legitimacy of the transactions Miss F 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 investments or that the people she transacted with were legitimate. This means that Miss F isn't entitled to a full refund of her loss under the CRM Code. I'll explain why I have reached this conclusion.

In respect of the first scam Miss F accepted she made no checks at all and referred to the fact she'd been "irresponsible". Miss F was approached via social media, was offered a guaranteed rate of return that was too good to be true (a rate of 480% in a day), ignored a warning that covered the situation she was in and paid an individual not a company. Overall, I don't believe she did enough to meet her obligations under the CRM Code.

For the following reasons, I also don't consider Miss F met the standard required of her in respect of the second scam:

- Miss F contacted the scammer via social media which is not a legitimate investment platform.
- The language used by the scammer wasn't professional and wasn't what I'd expect of a genuine trader. She used words like "hun" and "sister" in her messages.
- Miss F was asked to pay an individual rather than an investment company, which isn't what I'd expect.
- Miss F didn't complete any research before deciding to go ahead and invest. She has explained that she relied on a shared religion. I appreciate this was important to Miss F but I don't consider she could rely on this point alone to be satisfied the investment was legitimate.
- Miss F was told after the first scam that if she was asked for a settlement fee it was a scam. She was asked for fees in the second scam and so ought reasonably to have had concerns about whether what the trader told her was legitimate. The scammer also agreed to reduce a fee from £2,900 to £1,900 when Miss F said she didn't have enough money. I don't consider a genuine trader would operate in this way.
- Although Miss F doesn't remember seeing it, I've seen evidence that she was provided with an investment scam warning when she made the first payment. This warning wasn't effective under the CRM Code, but I've considered the impact it had

on Miss F's basis for believing the investment was genuine. The warning said, "*Legitimate investments aren't arranged over social media or things like WhatsApp*". Miss F arranged the investment through social media and WhatsApp so this warning ought to have resonated with her. The warning also advised her to check the company she was investing with was FCA registered. The scammer didn't claim to be from a company at all and there was no mention of authorisation. I think this ought reasonably to have led Miss F to question the trader and to complete some independent research.

- The second scam followed the same pattern as the first so I think Miss F should have been more alert to the possibility she was being scammed and taken additional steps before transferring funds.

Even though I don't think Miss F had a reasonable basis for belief when she made the transfers, she may still be entitled to a partial refund if Monzo didn't meet its obligations under the CRM Code.

Did Monzo provide Miss F with an effective warning/warnings?

The CRM Code sets out standards for firms – that is, what firms are expected to do to protect customers from the risk of fraud and scams. Where those standards are not met, the firm may be expected to compensate its customer. One of those requirements is that, where the firm has (or should have) identified that its customer is at risk from a scam, it should provide that customer with an Effective Warning, within the meaning of the CRM Code.

Monzo provided Miss F with a warning when she made the first payment of £1,000 but didn't provide scam warnings in any of the other payment journeys. As discussed above, the warning Monzo provided to Miss F said that legitimate investments aren't arranged over social media or things like Whatsapp and to check FCA registration. Whilst the warning Monzo provided included relevant red flags and advice on action to take, it didn't set out the consequence of going ahead with the payment. This means it wasn't effective under the CRM Code.

I'm not persuaded that the £1,000 sent to the first scammer and the first two payments made by Miss F in the second scam were out of the ordinary and so I don't think Monzo ought to have believed there was a scam risk. The amounts sent weren't particularly large and left Miss F's account balance unaltered as the payments followed credits from another account of Miss F's. To Monzo, the transactions appeared to be genuinely authorised payments and there was no reason why they wouldn't have seemed genuine.

I consider Monzo should have provided Miss F with a warning when the third payment of £3,900 was made but no warning was given. Miss F had set up a new payee and made three payments to the new payee over a few hours. The payments increased in size so that by the time she made the £3,900 payment request Miss F was seeking to transfer a total of £6,150 to a new payee. Increasing payments like this are a common feature of investment scams like this one. Only days before Monzo confirmed that a £1,000 payment made to a different payee was made to a scammer.

The investigator concluded that an effective warning wouldn't have made a difference because Miss F admitted she ignored the warning she was given but I disagree. Miss F said she ignored the investment scam warning she was provided with when she made the £1,000 payment to the first scammer. But she said she didn't remember being provided with a warning when she made any of the payments in the second scam. Overall, I don't believe Miss F ignored an effective warning and so Monzo should refund 50% of the last two payments Miss F made (for £3,900 and £1,900). Whilst I don't agree with the investigator about whether Miss F ignored an effective warning my overall decision is exactly the same as the investigator's.

Should Monzo have done more to protect Miss F?

When Miss F made the payments, Monzo should fairly and reasonably have had systems in place to look out for unusual transactions or other signs that might indicate that she was at risk of fraud (among other things).

I consider the £3,900 payment was unusual and out of character for the reasons set out above. I'm satisfied that had Monzo intervened when Miss F made the £3,900 payment as I think it should have (for the reasons set out above) the second scam would have rapidly been uncovered. Miss F had recently sent funds to a different scammer, found the second investment opportunity on social media, communicated via WhatsApp and was promised a high rate of return. All of these factors would have been red flags. Given that Monzo could have prevented the loss I think it should refund 50% of the final two payments (for £3,900 and £1,900). I'm not asking Monzo to refund the payments in full as I consider Miss F should share responsibility (for the same reasons as I set out above when I said Miss F didn't have a reasonable basis to believe the investment was genuine).

Because I've concluded that Monzo could have prevented the last two payments from being made interest should be paid at the rate set out below from the date of loss to the date of settlement.

I'm satisfied Monzo contacted the banks that received Miss F's funds within a reasonable time after the scam was reported but only limited funds remained.

The service provided by Monzo

Monzo paid Miss F £100 compensation because it initially said it would get back to her in 24 hours but in fact took two days. But Monzo has longer than this to assess a complaint under the CRM Code so I consider the only mistake Monzo made was to raise Miss F's hopes briefly. The sum Monzo has already paid to Miss F more than compensates her for this.

I also consider that Monzo dealt with Miss F's claim in a timely and empathetic fashion and that it offered her appropriate support when she said she was struggling. Monzo's request for medical evidence was also reasonable. It asked for this evidence so that it could consider whether Miss F was vulnerable under the CRM Code.

My final decision

I require Monzo Bank Ltd to:

- Refund 50% of the last two payments (£2,900);
- Pay interest on £2,900 at account interest rate for the savings account the funds were transferred from. Interest should be paid from the date of payment to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 25 October 2022.

Jay Hadfield
Ombudsman