

## **The complaint**

Miss B complains Monzo Bank Ltd didn't reimburse the money she lost when she was the victim of an advance fee scam.

## **What happened**

Both parties are aware of the circumstances of the complaint, so I won't repeat them in detail here. But briefly, both parties accept that Miss B was the victim of a scam when she was seeking to obtain a personal loan.

She'd input her details on several online loan sites, and subsequently received a text message saying it was from a loan company and that she'd been approved for a loan. The message asked Miss B to call them on an 0330 number to arrange the loan.

Miss B called them. She recalls they knew her details. They talked her through an application process for the loan, and Miss B says it all seemed professional. Miss B was told she'd be able to borrow the money she needed.

The lender said she'd need to pay one month's repayment in advance, as a security deposit. But this meant she'd have a bit of time before the second month's payment would be due. Miss B duly sent the initial month's payment of £140 from her Monzo account by Faster Payments transfer.

However, after this she was told there had been a problem with processing her loan application. Miss B was told the underlying bank was now insisting the lender set up an insurance policy for her loan. She was told this was required because she had a low credit score (which she knew was the case).

Miss B would need to pay that insurance premium to demonstrate that she could commit to repaying the loan. But they said the cost would be returned to her with the loan funds once everything had been settled. So, Miss B sent a second payment of £200.

Miss B didn't receive the loan funds in the timescale she'd been promised. The lender started asking for more money and Miss B became concerned. She asked to cancel and to receive a refund. This was refused. Miss B then realised this hadn't been a legitimate lender. She reported the matter to Monzo as a scam.

Monzo didn't refund Miss B. It didn't dispute that Miss B had been the victim of a scam but said that Miss B hadn't taken sufficient care when she'd made these two payments.

Monzo isn't a signatory of the Lending Standards Board's Contingent Reimbursement Model CRM Code (the CRM Code) but has explained that it is committed to applying the principles set out in it.

The CRM Code requires firms to reimburse customers who have been the victims of APP scams in all but a limited number of circumstances. Monzo said one or more of those circumstances (or exceptions) applies in this case. It said Miss B had made the payments

without having a reasonable basis for believing she was paying to obtain a loan from a legitimate lender. It had given Miss B warnings about the risks of making Faster Payments transfers which she acknowledged she'd read.

Monzo also said:

- a scam warning had been posted on a non-UK central bank website about a cloned loan company with quite a similar name, prior to Miss B making her payments;
- it thought it was reasonable to expect Miss B would have known she would never need to pay upfront to borrow money; and,
- she could have asked for a loan agreement before sending money and this might have made a difference.

One of our investigators looked into Miss B's complaint and thought it ought to be upheld.

The investigator didn't believe Monzo had fairly assessed Miss B's claim against the CRM Code. He didn't agree that Monzo had been able to establish Miss B made the payments without a reasonable basis for believing she was making them to a legitimate loan provider to secure a loan.

Monzo maintained its position. So, I have been asked to make a final decision on the outcome of Miss B's complaint.

### **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.

Having done so, I am satisfied that:

- Under the terms of the CRM Code, Monzo should have refunded the money Miss B lost. I am not persuaded any of the permitted exceptions to reimbursement apply in the circumstances of this case.
- In the circumstances, Monzo should fairly and reasonably refund the money that Miss B lost.
- The money was sent from Miss B's current account. It is not clear how Miss B would have used the money if Monzo had refunded it when it should have done. But if Monzo had refunded the money when it ought reasonably to have done, Miss B would not have been deprived of it for the time she has. So, Monzo should also pay interest on the balance not yet refunded at a rate of 8% simple per year. This interest should apply from the date Monzo first declined to refund Miss B, to the date of settlement.

I'm satisfied that Monzo has not shown that Miss B made these payments without a reasonable basis for believing that she was paying a legitimate lender in connection with a loan. It is my finding that she took sufficient steps in the circumstances. I will go on to explain why I have reached this finding.

I've taken into account the evidence provided by both sides. Under the terms of the CRM Code, the victim of an APP scam such as this should be reimbursed unless the bank is able to establish that one (or more) of the exceptions to reimbursement can be applied.

Monzo says it showed Miss B warnings prior to her making the first payment. Firstly, I'm satisfied these were general scam warnings and weren't specific to the scam that occurred. For the avoidance of doubt, I don't consider Monzo provided warnings that would meet the definition of an Effective Warning under the CRM Code – it therefore cannot rely on the relevant exception for Effective Warnings.

Miss B does acknowledge seeing and reading the warning messages Monzo showed at the time - but says these didn't cause her concern. I have therefore considered whether these warnings ought to have changed how Miss B acted in the circumstances, or whether, in proceeding to make the payments, she did so without a reasonable basis for believing what she did.

One of the messages related to payee name verification, using the Confirmation of Payee system. Monzo's records indicate that this generated a 'partial match' or 'maybe match' result – the type of result given when for example a person's initials are used rather than their full first name. Indeed, Miss B had input initials rather than the full first name so this would perhaps be the expected result. I don't consider this should have caused Miss B concern in the circumstances.

Neither do I think the generic message shown at the foot of the new payee screen would reasonably have caused Miss B to think there was anything untoward about the transaction she was about to make. It suggested that if a customer had doubts, they should get some advice - with a link to more information on blog posts covering multiple types of scam and fraud. But Miss B didn't have doubts at this point (I will later go on to consider if that belief itself was reasonable). So, I don't find it unreasonable that the message failed to resonate with her at the time.

The third message Monzo says it gave referred to other types of scam – such as offers that were too good to be true or being told to ignore a warning. None of these messages related to the scenario here. It also said to stop unless the customer had double-checked who was being paid. Miss B had just received partial payee name verification prior to seeing this, so I don't consider it was unreasonable for her to believe this didn't relate to her situation either.

In short, and all things considered, I am not persuaded that the warning messages Monzo displayed establish that Miss B went ahead without a reasonable basis for believing what she did.

Monzo argues further that Miss B ought not have believed in the legitimacy of what she was being asked to do from the outset, irrespective of the warnings it gave. I've considered the various points it has raised here. But I am not persuaded these establish that Miss B made the payments without a reasonable basis for belief.

In particular, I've considered the online scam warning Monzo says should have been uncovered by a simple Google search. It was issued by an EU country, although does not appear to be directed at the UK. I consider it more significant though that it relates to a cloned firm which was using a different name to that Miss B thought she was dealing with. What's more, a similar Google search reveal numerous other firms using similar names, with a common top search result being a legitimate lender. So, I am not persuaded that this external warning was relevant. Even had Miss B seen the warning, it simply didn't relate to the same firm.

And while the requirement for upfront fees might often indicate a lender is not legitimate, I am persuaded by Miss B's testimony that she did not know this at the time. I am also not persuaded that the absence of a loan agreement should have caused Miss B concern - the

evidence I've seen doesn't suggest she was especially experienced in taking out loans of this type.

Monzo raises other points which I have considered but which do not persuade me it can fairly apply the exception it seeks to rely on here. It was the expert in financial matters and Miss B a relatively vulnerable layperson.

In short, I consider Monzo is setting too high a standard for Miss B here. Had it provided Miss B with a timely and specific warning on these points, or given her steps to follow, I might think differently, but I'm not persuaded it showed Miss B such advice at the time. And I don't think she had doubts (or reasonable cause to have doubts) sufficient to prompt her to click through to and then research the linked blog postings Monzo refers to.

Overall, and in all the circumstances, I am not persuaded Monzo has established that Miss B made either or both payments without a reasonable basis for believing what she did. I am not persuaded that any of the exceptions to reimbursement under the CRM Code can be fairly applied here by Monzo.

### **Putting things right**

For the reasons outlined above, I've decided it is fair and reasonable to uphold Miss B's complaint about Monzo Bank Ltd. I therefore require Monzo Bank Ltd to pay Miss B:

- The balance of the money lost through this scam, being the sum of £340 less any sums already reimbursed or otherwise refunded; and,
- 8% simple interest per year on that amount calculated from the date the bank originally declined Miss B's claim until the date of settlement.

### **My final decision**

I uphold Miss B's complaint about Monzo Bank Ltd as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 21 September 2022.

Stephen Dickie  
**Ombudsman**