

## **The complaint**

Mr G complains that Monzo Bank Ltd ("Monzo") won't refund him the money he's lost after he fell victim to a purchase scam.

## **What happened**

The circumstances that led to this complaint are well known to both parties, so I won't repeat them in detail here. I'll recap the key points and focus on giving reasons for my decision.

In March 2021, Mr G fell victim to a purchase scam. Mr G's close family relative was contacted by someone claiming to be a representative for a well-known watch retailer. Mr G explained that several years prior to these events, his close family member had registered them on a waiting list with the watch retailer as a prospective buyer. Mr G says it was his name on the waiting list but that the contact number given was for his family member.

Mr G's family member received a call from the person posing as a representative for the watch retailer, letting him know that watches had become available. Mr G got in contact with the representative using the details his family member had shared with him. He let the representative know the watches he was looking for and agreed a price with him. Unknown to Mr G, he was in fact speaking with a fraudster. Mr G made four payments (£6,083.33, £6,458.33, £1,291.67 and £1,750.00 respectively) to the account details he was given by the fraudster between 19 March 2021 and 23 April 2021. In total Mr G lost £15,583.33.

For completeness and to set out what happened, Mr G has told us his close family member and a close family friend also fell victim to this scam. Both of which he says have been reimbursed via their banking service provider. Mr G told us that he realised he'd been the victim of a scam when the family friend didn't receive the watch they'd been expecting.

Mr G reported the scam to Monzo via its in-app chat function on 25 April 2021. Monzo having looked into things, refused to reimburse Mr G the money he'd lost because it said he didn't carry out sufficient checks before making the payments. It also tried to reclaim the money from the receiving bank, but said no funds remained. Monzo did pay £30 as a gesture of good will and as an apology for the frustration caused as a result of the customer service and care it provided following its decision not to refund him the money he lost.

Our Investigator recommended that the complaint should be upheld in part and Monzo should reimburse Mr G 50% of the payments made to the fraudster, along with 8% interest from the date of the transactions until the date of settlement. This was on the basis she found both parties should share equal liability for the loss. Mr G accepted our Investigator's recommendations but Monzo disagreed. It maintained that it provided an effective warning and that Mr G had no reasonable basis for belief when making the payments.

As Monzo disagreed, the complaint has been passed to me to decide.

Following a review of the case, our Investigator reached out to both Mr G and Monzo to set out what I thought was fair and reasonable redress recommendations. Both parties have had the opportunity to consider these and I will explain more below.

## 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 partially uphold this complaint. I'll now explain why.

I'm aware that I've summarised this complaint briefly, in less detail than has been provided, and in my own words. No discourtesy is intended by this. Instead, I've focussed on what I think is the heart of the matter here. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is the right outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

Mr G doesn't dispute that he made the four payments from his Monzo account. This means they were authorised by him. So the starting point under the Payment Services Regulations 2017 and the account terms and conditions is that Mr G is responsible for the payments as well as any resulting losses.

But the matter doesn't end there. I've also considered whether Mr G should have received a refund of the money he lost under the provisions of the Contingent Reimbursement Model Code (the CRM Code). The CRM Code is designed to reimburse victims of authorised push payment scams. Monzo has agreed to adhere to the provisions of the Code. This means Monzo has made a commitment to reimburse customers who are victims of authorised push payment scams except in limited circumstances.

The exceptions relevant to this case are:

- 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.
- The customer ignored an effective warning in relation to the payment being made.

\*There are further exceptions outlined in the CRM Code that do not apply to this case.

Having carefully taken everything I've seen and been told into account, I find Monzo has done enough to establish that Mr G didn't have a reasonable basis for believing the person he was sending money to was legitimate or that the payments were being made for genuine goods or services - watches. I say this because:

- When making the payments, Mr G relied solely on the advice of someone he'd not met or made attempts to verify he was who he said he was - that he did in fact work for the watch retailer. Mr G received the contact details for the representative from his close family member - a family member whom Mr G has told us he wasn't aware as to whether they'd taken steps to check who they were speaking with. While I am aware Mr G explained he'd joined the waiting list for the watch retailer years prior to this contact, I think this factor in and of itself, ought to have fairly and reasonably caused Mr G to act more cautiously when looking to make two large purchases and to make sure he was in fact dealing with a genuine employee for the retailer.

- I haven't seen anything that shows Mr G carried out any independent checks/ research to verify what he was being told about the watches he wished to buy. Mr G told our Investigator that he didn't check the watch retailer's website, but added that due to the backlogs and demand for such watches being high, the website doesn't show availability as he said they are sold before being listed. Mr G also said the price he agreed for the watches were at the retail price. I've thought carefully about what Mr G has told us and having conducted my own research online. From what I've seen, I'm persuaded the price was somewhat too good to be true. I say this because, I have seen the same model of watch - second-hand on sale for more than what Mr G agreed to pay for the brand-new watches. From what I've been told, it appears Mr G simply took what the representative was saying at face value, acted on this and placed a lot of trust in a person he didn't know, nor had he verified was a genuine representative of the well-known watch retailer. I'm persuaded he ought fairly and reasonably to have taken steps to check the watches he was buying and check what he was being told.
- I'm also persuaded that there was enough going on that Mr G ought reasonably to have questioned what he was being told. I say this because, Mr G has provided us with copies of the invoices he received. And in these invoices, it shows the VAT he would need to pay. Yet within the communication/ messages I've seen between Mr G and the representative, he was initially told he wouldn't need to pay VAT on the watches. However, the representative then told Mr G this would be the case without me seeing any real reasoning for this. I note Mr G did attempt to query this with the representative, but it doesn't appear to me that a response was provided. Mr G did add that he spoke with the representative who let him know that the purchases would be subject to tax and he thought the amounts were correct, although he's said himself with hindsight he should have researched the requirements. Further, I also note when looking at one of the VAT payments quoted within an invoice that this is different to the amount quoted within the messages between Mr G and the representative. Mr G has told us he didn't question this. I think these factors ought to have prompted Mr G to have proceeded more cautiously when making the payments.

I'm mindful that, taking any of the individual factors above in isolation, they may not have been enough to have prevented Mr G from proceeding. But when considering the specific circumstances of this case and the factors in the round, on balance, I think that there was enough going on and sufficient red flags that Mr G ought reasonably to have taken further steps to protect himself.

All things considered, I don't think Mr G had a reasonable basis for belief (from the outset) for believing the payments he was making was for genuine goods or services or that they were legitimate. And I'm persuaded this was sufficient reason for Monzo to fairly decline to reimburse him the full amount of these payments under the CRM Code.

#### *Should Monzo have done anything else to protect Mr G and prevent the fraud*

Good industry practice requires that regulated firms such as Monzo engage in the monitoring of customer accounts to be on the lookout for suspicious or out of character transactions with an aim of preventing fraud and protecting customers from financial harm. And under the CRM Code, where it identifies a risk of a customer falling victim to an APP scam, it is required to provide that customer with an "effective warning".

Monzo says Mr G was shown a high-friction APP warning when he set up a new payee and made the initial payment. It says the payment did trigger Monzo's transaction monitoring systems which is why he was shown the high-friction APP warning. When taking into

account the initial payment Mr G made, I'm also persuaded that the first payment ought to have triggered a scam warning. Monzo strongly argues within its submissions that the warnings it gave were effective. I don't agree.

Mr G selected the "goods and services" payment option. Having reviewed the warning Monzo says Mr G would've seen after selecting the payment purpose of "goods and services", I don't think the warning he was shown as a result was effective under the CRM Code. I say this because, the warning said, *'bank transfers arranged online or over social media are at a higher risk of fraud'*. Here Mr G was making payments arranged with whom he believed at the time to be a representative for the watch retailer. While they had communicated via a well-known messaging app and by phone – no contact was instigated or occurred, from what I've seen, over social media. I don't think this would have been impactful to Mr G, given it didn't match his circumstances.

The warning also said, *'bank transfers aren't protected in the same way as card payments. Pay by card if you can. You might not be able to get your money back if this does turn out to be a scam. Find a legitimate seller who lets you pay by card'*. Again, I don't think this would have resonated with Mr G. Mr G at the time thought he was in contact with a legitimate representative for the watch retailer. So, whilst the warning tells Mr G to find a legitimate seller, he was already under the impression that he had. While, it does go on to say *'who lets you pay by card'*, the warning also indicates that bank transfers still have some degree of protection. I'm not persuaded the warning is specific enough and provides clear guidance for how Mr G could protect himself. I can't fairly and reasonably say the warning brought to life what the type of scam Mr G was falling victim to looks like or highlighted the common features of these types of scams.

So, having carefully considered the warning based on the circumstances of the scam Mr G fell victim to, I'm not satisfied that Monzo's warning was effective or that they can rely on this exception as a reason not to refund under the CRM Code.

#### Could Monzo have done more to prevent the scam?

I'm mindful that when Mr G made these payments, Monzo should fairly and reasonably 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 (among other things).

As I've said above, our Investigator considered the first payment of £6,083.33 to be out of character for Mr G's account. Because of this, she thought Monzo ought to have got in touch and asked Mr G about the payment. Had it done so, she thought the scam could've been prevented.

I've thought carefully about this point. The effect of making a finding on this point, given that I'm upholding the complaint in part, primarily affects whether Monzo should pay interest on an award. In this case, Mr G has provided information that shows he moved the money used to make these payments from his savings account with a foreign bank into his Monzo account. The information given by Mr G shows that the savings account wasn't interest bearing. So, had Mr G not lost this money as part of the scam – the money still would have remained in the savings account. With this in mind, I don't make an interest award recommendation on the money to be refunded to Mr G. And because of this, I don't think I need to make a finding as to whether Monzo should have intervened to stop this payment, as I'm satisfied it should reimburse Mr G under the provisions of the CRM Code.

I've also gone on to consider whether Monzo took reasonable steps to recover Mr G's funds once it was aware of what had happened. While I think Monzo could've contacted the receiving firm sooner than it did, I don't think this has made a difference here. I say this

because, I've seen information that shows Mr G's funds had left the receiving account prior to him reporting the scam and so no funds were available to recover.

Overall, for the reasons I've outlined above, I find both parties ought to have done more here, and I find it fair and reasonable in this case for Monzo to reimburse 50% of the money Mr G has lost to the scam.

I note Mr G is unhappy Monzo didn't flag the payments when the payee name didn't match the account details he'd entered. Mr G also doesn't think Monzo should be transacting with the receiving bank if Confirmation of Payee (CoP) is not offered when making payments. I'm aware Mr G brought a separate complaint to our service about the receiving firm (where the money was sent to). In this decision, I am only commenting on the actions of Monzo as the sending bank and make no recommendations/findings in relation to the receiving firm. I think it is helpful to explain that it is not for this service to regulate or tell a business how it should operate or run its business. Our role is to look to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred. Whilst, I've taken Mr G's personal views into account, for the reasons I've explained here, it is not for our service to tell Monzo which receiving firms it allows payments to be made to. This said, during the payment journey, I can see Monzo informed Mr G that the recipient bank did not support CoP/ that it could not confirm the details on the receiving account that had been entered. This is what I would have expected Monzo to have done.

For completeness, it appears to be accepted by Monzo that the customer service it provided to Mr G could've been better. In particular, when informing Mr G that his complaint had been raised when this was not accurate. Monzo paid Mr G £30 by way of an apology. I'm persuaded this is fair and reasonable in this case and make no further award in respect of this point.

### **Putting things right**

For the reasons outlined above, Monzo Bank Ltd should now refund 50% of the four payments Mr G made from his Monzo account.

### **My final decision**

My final decision is that I uphold this complaint in part and instruct Monzo Bank Ltd to settle the matter as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 14 March 2023.

Staci Rowland  
**Ombudsman**