

The complaint

Miss W complains Monzo Bank Ltd didn't reimburse the money she lost when she was the victim of a scam.

What happened

Miss W holds a current account with Monzo. In 2020 she tried to arrange three holidays through a travel agent. The agent offered holiday bookings at a good discount. Miss W explains she knew the agent personally, had used them before and knew of other people who'd the same agent to book their holidays.

So, when Miss W made payments in 2020 to the agent, she had no reason to doubt that the agent was anything other than legitimate. Between February and July 2020, Miss W sent three payments for a total sum of £2,363. Each of these payments was sent as a bank transfer from her Monzo account.

However, the agent didn't provide what Miss W had paid for, and Miss W subsequently learned the agent was being investigated by the Police for fraud.

Miss W raised the matter with Monzo, explaining she'd lost the money she'd paid to the agent in good faith, and now believed the matter to have been a scam. In other words, that the agent had obtained the money from Miss W through deliberate deception and had no intention of providing the holidays Miss W had paid for.

Monzo isn't a signatory of the Lending Standards Board 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 didn't refund Miss W. It didn't think Miss W had been the victim of a scam. It said she had a civil dispute with the travel agent. Because Monzo didn't think Miss W was the victim of an APP scam, it didn't think the CRM Code applied to the money she'd lost, and so didn't think it was liable to reimburse her. However, Monzo paid Miss W £100 because it considered it could have handled her fraud claim more promptly.

Miss W didn't accept this and referred her complaint to this service.

One of our Investigators looked into Miss W's complaint and thought it ought to be upheld. The Investigator thought the evidence indicated this had been an APP scam and the payments should have been considered under the CRM Code. He didn't think any of the CRM Code's exceptions to reimbursement could fairly be applied by Monzo. The Investigator said that under the CRM Code, Miss W should have been refunded in full by Monzo.

Monzo maintained its position. It noted:

- Miss W had sent her payments to a legitimate business with which she'd previously

transacted successfully, as had others. The business owner had been a family friend of Miss W.

- Given the above, the bank remained of the view that this had not been an APP scam, and instead was a civil matter. It didn't think the CRM Code should apply, and so it didn't need to reimburse Miss W for her losses.

Monzo requested that an ombudsman should review the matter and reach a final decision.

The agent to whom Miss W sent her payments has since been found guilty on charges of fraud and theft, being reported as having embezzled funds from clients booking holidays. Comments from the Police about the case indicate that the agent had traded legitimately until a few years before Miss W made the disputed payments but had subsequently operated fraudulently. The agent was found to have deliberately misled and defrauded friends and family and has been sentenced to imprisonment.

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 have reached broadly the same outcome as that reached by our Investigator. I have set out my reasons below.

In summary, I am satisfied that:

- The relevant payments fall within the scope of the CRM Code. I consider Miss W was the victim of an APP scam here. The agent does not appear to have ever had the intent of booking the holidays Miss W was attempting to purchase, but rather had the intent to defraud. There now does not appear to be any realistic prospect of Miss W recovering money from the agent, and she has suffered a financial loss due to the transactions. I do not consider this to be the type of civil matter excluded under the CRM Code.
- Under the terms of the CRM Code, Monzo should have refunded the money Miss W lost. I am not persuaded any of the permitted exceptions to reimbursement apply in the circumstances of this case.
- Monzo should have responded to Miss W's claim under the CRM Code within the fifteen business days permitted under the code's provisions. As she first reported the scam to Monzo on 7 January 2021, that means Monzo should have given her a response to her claim by 22 January 2021 at the latest.
- In the circumstances, Monzo should now fairly and reasonably refund the money Miss W lost.
- Out of the total of £2,363 that was lost to the scam, Miss W paid a total of £958.50 from her own savings, with the remainder coming from money loaned to her by friends. Had Monzo had reimbursed Miss W when it should have done, Miss W would have most likely repaid her friends the debts she then owed and returned her own portion back to a Monzo savings pot. Given these sums owed, the financial loss to Miss W was the whole amount of £2,363.
- Because Miss W would likely have saved the remainder (the sum excluding the debts owed to her friends) Monzo should also pay interest on Miss W's own £958.50 at the

rates that would have been applicable for a savings pot on her account. This interest should apply from 22 January 2021 (the date by which Monzo ought to have responded to Miss W's claim under the CRM Code) until the date of settlement.

I have carefully considered Monzo's representations – including those given in response to our Investigator's assessment – detailing the reasons it considers Miss W should not be refunded under the CRM Code. But these do not persuade me to reach a different view here. I am satisfied the CRM Code applies to her payments, and I am not persuaded that Monzo can fairly apply any of the exceptions to full reimbursement under that code.

Firstly, I am satisfied the CRM Code applies here for the following reasons:

- While the business Miss W paid appears to have traded legitimately in previous years, I'm satisfied that by the time Miss W made her three payments in 2020, the agent did not intend to supply what Miss W had paid for.
- So, based on the evidence I have seen, Miss W wasn't paying a legitimate business when she sent these three payments. I consider that this was a deception designed to defraud Miss W of money she paid in good faith. In other words, the agent was obtaining money by deception. I therefore find the exclusion in the CRM Code covering "*private civil disputes, such as where a Customer has paid a legitimate supplier...*" has not been fairly applied by Monzo, and this case should not be excluded on that basis. I find Miss W was the victim of an APP scam and one within the remit of the CRM Code.
- Given the above, and in all the circumstances, I am satisfied these payments fall under the remit of the CRM Code, to which Monzo has agreed to adhere. It follows that the CRM Code is applicable to Miss W's losses.
- While it is only more recently that the agent has been convicted, I can see that Miss W provided details of the Police involvement to Monzo at the time she reported the matter to the bank, including that the Police had forcibly shut down the agent's website. I'm satisfied there was sufficient evidence available at the time for Monzo to have reached the conclusion that this had most likely been an APP scam.

Secondly, I'm satisfied that Monzo has not shown that any of the permitted exceptions to full reimbursement under the CRM Code can fairly be applied here. In particular, I am not persuaded that Monzo has established that Miss W made the payments without a reasonable basis for believing the transactions and agent to be legitimate at the time, or that Miss W ignored an Effective Warning given in compliance with the CRM Code.

I say this because:

- I'm satisfied Miss W held a reasonable basis for believing the agent was legitimate - based on her previous experience of transactions with that agent. While it is now apparent that by 2020 the agent was no longer operating a legitimate business, Miss W had no reason to suspect that at the time. Monzo hasn't established that Miss W made these payments without holding a reasonable basis for believing each transaction was legitimate.
- Monzo says it provided a relevant scam warning at the time of at least one of the payments. It hasn't evidenced exactly which of a range of possible warning messages was given. Instead, it has provided a list of sample warnings showing what might have been displayed at the time. The sample warnings Monzo has evidenced, in part, intend to warn customers about potential scams they may be at risk of. While

each of the possible warnings highlight multiple potential scams, I'm not persuaded any one of them bring to life what the type of scam Miss W was falling victim to would look like. Nor would these have been likely to result in the prevention of this type of scam. So, I don't think Monzo has established it can deny Miss W reimbursement in reliance on the exception for ignoring an Effective Warning.

- Monzo hasn't argued that any of the other exceptions to reimbursement should apply, and I don't find any of those have been established by Monzo or could otherwise fairly be applied by Monzo.

In summary, I find that the CRM Code is applicable here. I find that Monzo cannot fairly rely on any of the exceptions to full reimbursement under the CRM Code in Miss W's case. Miss W is entitled to be fully reimbursed in accordance with the provisions of the CRM Code.

Putting things right

To put matters right, Monzo Bank Ltd should pay Miss W the following:

- the sum she lost – a total of £2,363 less any funds that have already been returned to Miss W – within 28 days of receiving notification of her acceptance of my final decision; plus,
- interest at the rate that would have been applicable had the money been kept in Miss W's savings pot with Monzo. This interest should be applied to the sum of £958.50 – that being the portion of the loss that came from Miss W's savings. Interest on that amount should be calculated (less any tax properly deductible) from 22 January 2021 to the date of settlement.

My final decision

For the reasons set out above, I've decided that Miss W ought to have been fully refunded by Monzo Bank Ltd for the losses she incurred due to this scam.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 31 March 2023.

Stephen Dickie
Ombudsman