

The complaint

Mr D complains that Monzo Bank Ltd won't refund money he lost as a result of a scam.

What happened

Mr D received a message on a popular messaging application. It didn't come from one of Mr D's contacts. The sender suggested that they did know Mr D and were providing an updated number.

Mr D enquired who the person was and was asked to guess. He assumed it to be a colleague and friend whom he'd known for a long time, seemingly on the basis that he knew his colleague had recently arrived from another country and had intended to purchase a new SIM card. Unfortunately for Mr D the message hadn't come from a colleague, but rather a fraudster.

The following day Mr D contacted the fraudster and asked whether he would be going into the office the next day. The fraudster said he would be, but asked Mr D to send him £300. Mr D immediately agreed to this request. He asked whether it was a payment to the colleague's landlord as, he says, he was expecting to lend his colleague money for this purpose. Mr D says he knew that, since his arrival, his colleague had been staying in a serviced apartment and would have needed to look for permanent accommodation. He was also aware that his colleague only had a pre-paid card, which didn't allow him to make bank transfers. So, the request to make a payment of this nature on his colleague's behalf didn't come as a surprise.

After Mr D made the £300 payment, the fraudster claimed he'd actually requested £600. Up to this point Mr D had mostly been responding to the fraudster in Hindi, while the fraudster had generally responded in English – mixed with, what I understand to be, a few words of Hindi. As the conversation continued and the fraudster's requests for more money became more frequent and desperate, they appear to have tried to communicate in Hindi, but I understand their attempts were largely unintelligible – a fact, along with the requests for more money, which caused Mr D enough concern to realise he'd been scammed.

Mr D reported the matter to Monzo but it didn't uphold his complaint. While Monzo isn't a signatory to the Lending Standards Board Contingent Reimbursement Model 'CRM Code' it has agreed to adhere to its principles. It requires firms to refund victims of APP scams like this one in all but a limited number of circumstances. In this case, Monzo said that Mr D had ignored a warning it had provided which instructed him not to make a payment unless he'd checked who he was paying. It also argued that he'd failed to carry out any checks on the recipient before making the payment, so he didn't have a reasonable basis for believing the recipient was his colleague.

One of our investigators upheld Mr D's complaint. They noted the unfortunate coincidence that Mr D was both expecting contact from his colleague on a new number and had previously agreed to lend him money. They also thought that the fraudster's use of English mixed with Hindi would have been persuasive. So, they recommended Monzo refund Mr D £300, along with 8% interest.

Monzo didn't agree. It noted the context in which the payments were made, but maintained that Mr D had simply not carried out any of the due diligence that one might expect – such as contacting the person over the phone or via a video call.

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.

There's no dispute that Mr D made the payment in dispute himself. So, under the Payment Services Regulations 2017 and the terms of his account, he is presumed liable for the loss in the first instance. But, that's not the end of the story, Monzo has agreed to adhere to the principles of the CRM Code and also has long standing obligations to be on the lookout for unusual and out of character transaction to (among other things) help protect its customers from financial harm from fraud.

Should Monzo refund Mr D under the CRM Code?

Beginning with the warnings that Mr D would have seen during the payment journey, I understand he was presented with a general warning, much of which wasn't particularly relevant to his circumstances. It did instruct Mr D to stop if 'you haven't double checked who you're paying'. This is clearly sensible advice, but the CRM Code has a specific definition of what an Effective Warning is. I don't think this general warning meets that definition.

It wasn't particularly tailored to the type of scam Mr D was falling victim to and did nothing to bring alive what a scam like this might look like – that fraudsters will impersonate people you know and demand money. While it's understandable that Monzo didn't give a more specific warning given the relatively modest size of the payment, I'm satisfied that the warning it did give did not meet the definition of effective under the CRM Code.

Next I've considered whether Mr D's belief that he was speaking to his colleague was reasonably held.

I've reviewed a genuine conversation between Mr D and his colleague and I note the similarities between it and the conversation with the fraudster. In both, Mr D tends to communicate in a mix of Hindi and English, while his colleague responds largely in English, but with the odd word of Hindi.

In hindsight it's easy to see that it was Mr D who offered up the name of his colleague and the reason for the payment. Had he refused to guess who the message was from or questioned the reason for the payment further, then it's likely the scam would have come to light. Yet, given the context I've already set out – that Mr D was expecting the contact – I don't think the fraudster's seemingly innocent and playful suggestion that he should guess their name ought to have seemed concerning to Mr D.

It's also important to note that the fraudster did not request money from Mr D the same day they contacted him. It wasn't until the following day that the request for money came and, even then, only after Mr D had initiated contact. At this point, Mr D was seemingly accepting that he'd been contacted by his colleague, having already updated his phone with the new number, and I think the gap in time made him less likely to re-examine how the contact was first made when deciding whether to make the payment. In my experience it's not

uncommon for fraudsters to try and elicit information in such a way that the victim is unaware they've disclosed it.

There were, of course, steps Mr D could have taken that would have uncovered the scam relatively quickly, but that's true of many scams. The question here is whether Mr D was unreasonable not to have taken any additional steps before making the payment. Monzo argue that he could have called his colleague to confirm his identity. But Mr D doesn't seem to have been suspicious of the messages (at least not until after the payment) and I think he was reasonable not to be. Without any indication that he wasn't communicating with his friend, he'd have no reason to make contact with him in another way.

I've found Mr D's testimony around why he believed he was communicating with his colleague to be persuasive and I've seen some supporting evidence which suggests that his friend had recently moved to the country and was staying in a serviced apartment. So, I don't believe he is creating reasons for having made the payment after the fact. Instead, I think that due to a very unfortunate set of coincidences and some clever tactics employed by the fraudster, Mr D did have a reasonable basis for believing that he was communicating with his colleague at the point of making the payment. I also note that he acted prudently when the fraudster's communication became more erratic and confused – which further suggests, on the whole, he wasn't acting carelessly.

Overall, I think Monzo should refund Mr D in full under the CRM Code. Given that it appears Mr D would have otherwise used this money for general spending, I think that simple interest should also be paid at 8% per annum. Given the modest size of the payment I see no reason why Monzo should have been concerned that Mr D was falling victim to a scam, so interest should be paid from the date Monzo declined Mr D's claim (rather than the date of the payment) to the date of settlement.

My final decision

I uphold this complaint about Monzo Bank Ltd and instruct it to pay Mr D:

- £300
- 8% simple interest per annum on that amount from the date Monzo declined Mr D's claim under the CRM Code to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 21 October 2022.

Rich Drury
Ombudsman