

## The complaint

Mr A complains that Monzo Bank Ltd ('Monzo') won't refund the £1,500 he lost after falling victim to a scam.

## What happened

I issued a provisional decision in early September 2022 to explain why I thought Mr A's complaint should not be upheld. And I said I'd consider anything else anyone wanted to give me. This is an extract from my provisional decision:

*"In May 2020, Mr A was interested in investing his money in cryptocurrencies. He was introduced to a friend of a friend, who I will call Mr B, via a social media platform. Mr A was told that Mr B had helped his friend in the past with his own investments, by working as a broker investing in the stock market and cryptocurrencies and obtaining favourable returns on his money. So, Mr A decided to contact Mr B to find out about his services.*

*Mr A was told that Mr B worked for a company who was regulated by the Financial Conduct Authority ('FCA'). During their messages, Mr B sent Mr A images of his 'trading account' showing closed trades for his clients with favourable returns. And he was also shown an image of Mr B's 'company bank account' with a large balance. This convinced Mr A that Mr B was a legitimate broker, and he decided to send him £1,500 by bank transfer from his Monzo account for Mr B to invest in cryptocurrency for him.*

*Mr B said that on receipt of the funds, he'd send Mr A various documents including his government ID, proof of his trade being placed and a letter covering Mr A's funds from his solicitor. But after making the payment, Mr A didn't receive these documents, and Mr B didn't respond to Mr A's contact attempts. It was at this point Mr A realised he'd been the victim of a scam and contacted Monzo on 14 May 2020 via its online chat to explain what had happened, and asked it to refund the money.*

*But Monzo didn't think it was liable for his loss, and said it followed its regulatory requirements correctly when looking at Mr A's fraud claim. Mr A remained unhappy, and so referred his complaint to this service.*

*One of our investigators looked into what happened, and recommended that Monzo refund the £1,500 to Mr A. They said this because:*

- Mr A was introduced to Mr B by a close friend who had previously invested with him and had received returns. She could therefore understand why Mr A believed this to be genuine.*
- Mr B said he worked for a genuine financial business, and Mr A checked the FCA register and saw they were regulated. Therefore, she thought it was reasonable that he believed he was dealing with a genuine company representative.*
- The details of his client investments and screen shot of his account balance led Mr A to believe this must be a genuine opportunity. She thought this was reasonable.*

*Monzo didn't agree with the investigator and asked for a final decision, so the complaint has been passed to me. In summary, Monzo made the following points:*

- *It didn't believe that Mr A had a sufficient basis of trust that Mr B was genuine, as he was introduced to him through a friend of a friend, and not a close friend as the investigator had suggested.*
- *If Mr A had checked the FCA register before sending the £1,500, he would've seen a warning to say that fraudsters are claiming to work for a 'clone firm' of the genuine business.*
- *The account name that Mr A sent his money to, was not the same name that Mr B claimed to have. As it was different, Mr A didn't have a reasonable basis for believing that the payee was the person he was expecting to pay.*
- *The scam and contact took place over a social media platform, and not one that is intended or associated with investment opportunities.*

*What I've provisionally 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'm currently minded to say that Monzo isn't required to refund the £1,500 to Mr A. I'll explain why.*

*Monzo isn't a signatory of the Lending Standards Board Contingent Reimbursement Model ('CRM') Code which requires firms to reimburse customers who have been the victims of APP scams like this in all but a limited number of circumstances, but has agreed to apply its principles. Monzo say exceptions to reimbursement apply in this case. It says that Mr A didn't have a reasonable basis for believing the person he transacted with was legitimate or was providing a legitimate service.*

*When thinking about what's fair and reasonable in this case, I've considered whether Monzo should've reimbursed Mr A under the provisions of the CRM Code and whether it ought to have done more to protect him from the possibility of financial harm from fraud.*

*There's no dispute here that Mr A was tricked into making the payment. But this isn't enough for Mr A to receive a full refund of the money under the CRM Code. The Code places a level of care on Mr A 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*

*\* There are further exceptions outlined in the CRM code, but these are not applicable in this case.*

*I've carefully considered Monzo's comments that Mr A didn't have a reasonable basis for believing that the investment opportunity was genuine. Thinking about how Mr A was introduced to Mr B, and the lack of documentation that was presented to him before making the transfer of £1,500, I agree with the bank in this case. I'll explain why.*

Our investigator asked Mr A if he had received any documentation from Mr B before making the transfer, but he said he had not. He maintained that as Mr B had showed him two screen shots from his 'trading account' and from his bank account balance, it was reasonable for him to believe that this investment opportunity was all above board. But I do not think it would be likely that a legitimate employee of a FCA regulated business, would advertise for custom via an unofficial social media platform not associated with investment opportunities. And, within the screen shot Mr B shared with Mr A, the fact that other client's information seems to have been displayed/shared online is a concerning feature – as this would represent a potential breach of data protection laws. I note Mr A's comments that he did check the FCA register to see if the company Mr B claimed to work for was genuine. And I accept that the relevant warning on the FCA register that Monzo mentioned a linked business rather than the one he thought he was doing business with, so he may not have seen any warning. However, I think this sharing of personal data of his 'clients' should have raised alarm bells for Mr A, and in view of this, I think it would've been reasonable for him to carry out further checks, and ask for the documentation before making the transfer (and not relying on Mr B's promise that this would be sent after the payment was made). Such documentation could've included evidence that Mr B actually worked for the company he said he did, written details of the investment opportunity, including the duration of the investment and it's expected returns, and a letter covering Mr A's funds from Mr B's solicitor (which he was promised after the transfer had been made). Mr A has told our investigator that he knew the investment was for cryptocurrency, but he didn't know what one, and couldn't remember the rate of return. Although he knew that a return on his money wasn't guaranteed. But I haven't seen any reason why he thought the broker would only send him documents after the money was sent, and why he would not request them prior to the payment.

If Mr A had asked for paperwork as I've suggested above, I'm satisfied this wouldn't have materialised and on balance, it's likely he would've thought twice about the investment. But, based on the checks he did make before sending the £1,500 to a person he hadn't met, and had only spoken to using a social media platform, I don't think Mr A had reasonable basis for believing that the investment opportunity was genuine, nor that Mr B was a genuine representative of the legitimate investment company. It's my judgement that the two screen shots he received through social media messaging were not enough to show that the investment opportunity was real. I appreciate that Mr A says he was introduced to Mr B via a 'friend of a friend,' but I don't feel this introduction was enough to trust that the opportunity was legitimate. I appreciate the social media platform was set up in such a way that Mr A was aware of an alleged success story. But given the nature of the platform used it wasn't possible for Mr A to verify this. And it also doesn't appear any attempts were made to do so. I don't find it was reasonable to rely on these features to judge the investment as genuine, in addition to other concerning features. And whilst Mr A says he checked the FCA register for the company Mr B claimed to work for, he didn't actually have any evidence that Mr B did work for them. It follows that it's my judgement that Mr A failed to take the requisite level of care required for Monzo to reimburse him under the terms of the CRM Code.

Monzo, in its submissions to this service, did also refer to a warning that Mr A would've seen at the point he was making the payment. Under the CRM Code, Monzo was required to present an effective warning where it identified a scam risk. I don't consider that the payment made by Mr A was out of the ordinary and therefore, the bank ought to have believed there was a scam risk. The amount sent wasn't particularly large. I appreciate Mr A didn't often send money of this value from his Monzo account, but rather used it for smaller card payments. But I don't consider there were any concerning features of the £1,500 payment to put the bank on notice. And so I don't believe the bank needed to do more than it did in terms of providing warnings about making the payment.

*Overall, in the circumstances of Mr A's complaint, I don't consider that Monzo is responsible for his £1,500 loss.*

*My provisional decision*

*It's my provisional decision that I intend to reject Mr A'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 not upholding this complaint.

Monzo responded to my provisional decision to say they had nothing further to add. Mr A did not provide any further comment or evidence following on from my provisional decision. As such, for the reasons set out above, I conclude that it would not be fair and reasonable to ask Monzo to reimburse Mr A's losses, and so this complaint is not upheld.

### **My final decision**

I do not uphold this complaint and Monzo Bank Ltd are not required to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 19 October 2022.

Katherine Jones  
**Ombudsman**