

The complaint

Mrs H is unhappy that Monzo Bank Ltd won't refund her money she lost as a result of fraud.

What happened

As both parties are familiar with the circumstances of this complaint, I have summarised them briefly below.

Mrs H was previously victim of a separate investment fraud. After speaking online with a person she believed to be a celebrity via social media, she was introduced to a financial advisor that the celebrity friend had vouched for to help recover her funds. Unfortunately, it later transpired that both the friend and financial advisor were fraudsters.

The financial advisor claimed they'd be able to reclaim the funds Mrs H had lost. They requested she make several payments via bank transfer for various reasons: such as certificates and withdrawal fees.

Between March and September 2021, Mrs H made the following transfers from her Monzo bank account to the fraudsters.

Date	Amount
27 March 2021	£2,500
6 April 2021	£1,700
7 April 2021	£4,000
13 April 2021	£10,000
14 April 2021	£2,500
4 May 2021	£5,000
8 May 2021	£2,000
30 June 2021	£5,000
2 September 2021	£2,500
Total	£35,200

But when she was asked to make further payments, she became suspicious, asked a friend for advice, and uncovered the fraud.

Mrs H reported the matter to Monzo who looked into her complaint but decided not to reimburse her. It said that she didn't carry out sufficient checks to ensure she was speaking with a legitimate person and therefore held her liable for the payments made. It added that it had attempted to recover the funds from the beneficiary account but was unsuccessful.

Mrs H remained unhappy with Monzo's response, so she brought her complaint to our service for an independent review. An Investigator considered the evidence provided by both parties and concluded that Monzo should have reimbursed some of the money lost.

The Investigator felt that Monzo should have intervened at the point Mrs H made a significant payment of £10,000, and this likely would have uncovered the fraud. But as the Investigator felt Mrs H didn't hold a reasonable basis for believing the person she was

dealing with was legitimate, she should hold joint liability for the money lost from this point.

Monzo disagreed with the Investigator's assessment. Broadly, it argued that it did provide Mrs H with effective warnings prior to her proceeding with the payment and therefore fulfilled its obligations in this respect.

As Monzo disagreed with the conclusions and recommendation set out by the Investigator, the matter was passed to me for a decision.

On 28 June 2023, I issued provisional findings to both parties setting out my thoughts after reviewing the complaint. These were as follows:

'In deciding what is fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

I've also thought about the Lending Standards Board's voluntary CRM Code, which Monzo has signed up to and was in force at the time Mrs H made the payments subject to this dispute.

While the CRM Code does apply to the payments Mrs H has made, I've not applied the standards set out in the code here. Having said that, had I set out my findings considering the CRM Code, it would have likely resulted in the same outcome.

Did Monzo do enough to identify Mrs H was at risk?

Monzo was on notice that Mrs H had been victim to a previous fraud and was therefore vulnerable to them.

Monzo has made an argument that warnings given for the previous instance of fraud should have been effective in this case. But I don't find this a reasonable argument for not delivering new warnings where new circumstances presented themselves as a risk. This was also a new fraud with entirely different circumstances than the one Mrs H was victim of previously.

The first payment to the fraudsters was made on 27 March 2021 for £2,500. I don't find the value of this payment alone to be enough to warrant intervention from Monzo. However, Monzo was aware of Mrs H's vulnerability to fraud. The payment was also to a new payee and Mrs H selected the purpose of the payment to be to for 'paying a safe account'.

I think these combined factors presented significant risks that should have been picked up by Monzo when processing the payment. Safe account frauds—a common fraud whereby a victim is instructed to transfer funds from their account to a 'safe account' as they are at risk of being stolen—are prevalent. And selection of this payment option provides a high-risk indication of fraud: especially where someone has been victim of fraud previously and is paying a new beneficiary. This is compounded by the fact that the payment was more than double Mrs H's highest payment on the account in its recent history.

For the above reasons, I find Monzo could have done more here. I'm persuaded that this was enough for it to halt the payment and make contact with Mrs H to question it further.

Would intervention have prevented the fraud?

Early intervention in the circumstances of this complaint I find would likely have made a difference for the following reasons:

- *The fraudster hadn't provided any coaching to Mrs H at this point to provide the bank with false reasons for the payment. It's therefore likely that Mrs H would have revealed the true reasons for it.*
- *Had Monzo found out the true reasons for the payment, it would have been apparent that this was a recovery fraud, linked to the previous fraud Mrs H was victim to: and it would have warned her of this.*
- *Mrs H's belief in the fraud was less entrenched at this stage and therefore she likely would have been more responsive to alerts and warnings provided considering she'd not yet paid any money to the fraudster.*
- *Even if Mrs H had not been responsive to warnings, I find Monzo would have had enough information to refuse to process the payment altogether.*

Monzo have made submissions that Mrs H wouldn't have been receptive to warnings due to her lack of reasonable basis for believing that the person she was dealing with was legitimate. And it's also made reference to previous cases of victims who have fallen victim to romance scams not being open with banks when challenged on their reasons for making payments. But Mrs H hasn't been the victim of a romance scam, so I'm unsure why Monzo has made reference to this. There was no romantic involvement with the celebrity she was contacting online, nor the purported finance advisor she was referred to. This was simply a recovery fraud for funds she'd lost previously in an investment fraud.

Overall, I'm satisfied that had Monzo intervened in the payment, it would have either prevented Mrs H from continuing with the payment(s) or would have refused to make them altogether – ultimately, preventing the fraud.

Should Mrs H share responsibility for her losses?

Having reviewed the evidence carefully, I have come to the conclusion that Monzo has been able to demonstrate that Mrs H made the payments in dispute without having a reasonable basis for believing they were for a legitimate purpose, or, to a legitimate payee.

I appreciate that Mrs H believed at the time she was speaking with a genuine celebrity. But other than the name and picture associated with the account, there was nothing to reasonably associate the account with the genuine celebrity she thought she was talking to.

Mrs H says that she trusted the financial advisor she was referred to as they were recommended by her celebrity friend. But as I've said above, Mrs H had no way of knowing she was speaking with the legitimate celebrity and had never met them in person.

Even if Mrs H had held a genuine belief she was speaking with a legitimate person, I would have expected there to have been some due diligence checks of her own carried out to ensure the advisor themselves was legitimate. This is even more important in a context where Mrs H had been the unfortunate victim of a fraud previously. But she took the word of a person she'd met online and didn't stop to question how this advisor was to achieve reimbursing the funds she'd lost. There were also some red flags in the information provided by the fraudsters that Mrs H didn't seem to question until some of the later payments were made.

My intention is not to further Mrs H's distress where she's already been victim of a cruel fraud. But merely to highlight that I do find Monzo has been able to demonstrate that she could have done more to verify the validity of the persons she was communicating with and the proposals they were making. And this would have ultimately prevented her own losses.

It's therefore only fair that Mrs M shares equal liability for her losses.'

Both parties were given until 12 July 2023 to respond to the findings set out above.

Monzo provided no further comment. But Mrs H reiterated what she'd previously told our service: that she believed her funds lost as a result of a previous fraud were waiting for her in a bank account. She provided a screenshot of the balance displayed in that account.

As both parties have now been given a chance to comment on my provisional findings, I'm now in a position to deliver my 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.

Mrs H has provided further testimony and evidence that she feels supports the fact that she held a reasonable basis for believing the funds genuinely existed. However, I don't consider this to be new evidence in this case.

Mrs H has already provided our service with evidence showing funds held in a fake bank account, so I was aware of this when reaching the findings set out in my provisional decision.

While Mrs H has been able to demonstrate that she could see a positive balance in a screenshot of a purported bank account before proceeding with the payment, she has not been able to demonstrate that she sufficiently checked the legitimacy of the bank these funds were held with or that the account actually existed. Only in the latter stages of the fraud did Mrs H check this and discovered that the bank was fake, and the account didn't exist.

As no further information has been provided by either party that requires comment, I don't intend to depart from the findings set out in my provisional decision.

Putting things right

As Monzo ought to have done more by intervening in Mrs M's payments and providing appropriate warnings that could have prevented the fraud, it should be held liable for her losses.

However, as Mrs H failed to conduct sufficient due diligence checks to verify the legitimacy and proposals of both the person she'd befriended and the 'financial advisor' she was referred to, I find Mrs H should share equal liability.

Monzo should therefore reimburse Mrs H 50% of her losses.

I've also considered if interest should be paid on any reimbursement, but as Mrs H borrowed the funds from friends, I don't find she was deprived of her own funds as a result of the fraud. It would therefore be unreasonable to expect Monzo to pay interest in these circumstances.

My final decision

For the reasons I've given above, I uphold this complaint and direct Monzo Bank Ltd to:

- Reimburse Mrs H 50% of £35,200 she lost.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 10 August 2023.

Stephen Westlake
Ombudsman