

The complaint

Ms R says Monzo Bank Ltd (“Monzo”), didn’t do enough to help when she fell victim to an investment scam. She says Monzo should reimburse her for the money she lost.

What happened

In summary, Ms R fell victim to an investment scam. Ms R’s friend’s social media account showed they had purchased a new car and had been able to do so through investing. Ms R was then referred on to a trading/investment mentor. Unfortunately Ms R’s friend’s social media account had been hacked and Ms R had in fact been duped by fraudsters. Ms R was enticed by the fraudsters to trade with the promise of high returns in a short space of time.

On 18 December 2021, Ms R made a card payment of £1,000 for the supposed investor to trade on her behalf. And then later in the day, Ms R made a further card payment of £1,500 in order to withdraw her profits.

When Ms R didn’t receive her profits, she realised she had been the victim of a scam.

Ms R reported the matter and made a formal complaint to Monzo. Monzo didn’t uphold Ms R’s complaint, as it considered it had carried out all internal and regulatory responsibilities. In short it didn’t consider it was liable for Ms R’s losses.

Unhappy, Ms R brought her complaint to our service.

The complaint was initially viewed by an Investigator who didn’t recommend the complaint be upheld. Unfortunately they had to take an extended period out of the office – and so the complaint was reassigned to another Investigator. The subsequent investigator, as a matter of good practice, reviewed the complaint again and reached the same opinion. They didn’t consider the complaint should be upheld.

In short, across the two opinions, it was concluded that the ‘Contingent Reimbursement Model (often referred to as the ‘CRM code’) wasn’t relevant in Ms R’s case as the CRM Code is in relation to faster payments and not card payments. And both investigators considered the payments Ms R had made were authorised by her and they didn’t think Monzo should have carried out any additional checks on the payments before carrying out Ms R’s instructions. Overall they didn’t consider the payments were remarkable enough to warrant any further intervention by Monzo.

Ms R ultimately disagreed with the Investigator’s opinion and thought more should have been done by Monzo to prevent her losses.

As Ms R disagreed with the Investigator’s opinion, and as the matter hasn’t been resolved, it’s been passed to me to decide.

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.

In deciding what's 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'm aware that I've summarised this complaint and the responses 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 – which is to determine whether Monzo should have done more to prevent Ms R's losses. 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 an alternative to the courts.

Having thought very carefully about Monzo's actions, I'm not upholding Ms R's complaint. I do appreciate how disappointing this will be for her. Ms R was a victim of a scam. But in weighing everything up, I don't think I can fairly say Monzo should reimburse her. I'll explain why.

Before I go on to explain my findings, I want to clarify for Ms R's benefit why the CRM Code isn't applicable in her case and what the relevant law and regulations were at the time.

Why the CRM Code isn't applicable

The CRM Code was implemented to further combat and prevent the increase of fraud. But the CRM Code is explicit in that it only covers a transfer of funds executed across Faster Payments, CHAPS or an internal book transfer between GBP-denominated, UK-domiciled accounts. Here the payments Ms R made were card payments – so they aren't covered by or within the scope of the CRM Code.

The relevant law and regulations in place at the time

In broad terms, the starting position at law is that a bank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the terms and conditions of the customer's account.

It is agreed by all parties that Ms R made the card payments herself. So it is the case that Ms R authorised the card payments that are in dispute. And under the Payment Service Regulations 2017 (which are the relevant regulations in place here) that means Ms R is responsible for them. That remains the case even though Ms R was the unfortunate victim of a scam.

There are times when I might expect a bank to question a transaction or payment, even though it may have been properly authorised. Broadly speaking, firms like Monzo have certain obligations to protect customers from fraud.

What does this mean for Ms R?

In this case, I need to decide whether Monzo acted fairly and reasonably in its dealings with Ms R when she made the card payments, or whether it should have done more than it did.

I've thought about this carefully. Having done so, I can't fairly say the card payments Ms R made would (or should) have alerted Monzo that Ms R was at risk of financial harm to an extent whereby it should have carried out some additional checks before processing the payments. So I don't consider Monzo are liable for the losses Ms R incurred. I'll explain why.

Banks process a high volume of transfers and transactions each day. And a bank has to strike a balance as to when it should possibly intervene on a payment against not holding up or delaying its customer's requests.

Here the card payments were for £1,000 and then later in the day £1,500. I don't consider there is anything unusual or remarkable about the card payments or the amounts that ought to have alerted Monzo to the possibility Ms R was being scammed or was at risk of financial harm. And I think it was reasonable for the payments not to warrant any additional checks by Monzo. These were payments that were made by card, were authorised using '3DS' and were going to an authorised merchant. A proportionate response, given the amount, might have been for Monzo to double check that it was indeed Ms R who had authorised them and hadn't had her card stolen. And this is typically completed through SMS or in-chat functions etc... But importantly I don't think the payments would have alerted Monzo that Ms R was at risk of financial harm, to the degree that it would have needed to intervene further. Lots of customers make one-off larger transactions, and while a larger transaction than Ms R had made previously – this payment wasn't so remarkable on the whole that Monzo would have been able to identify it as potentially suspicious.

Overall, I don't think there were grounds for Monzo to be suspicious Ms R may be a victim of fraud when she made the card payments to such an extent where I would have expected them to intervene and question her further about them. All things considered, I think the fact that Monzo didn't flag the transfers as suspicious was fair and reasonable in the circumstances.

Finally, within its final response letter to Ms R, I can see that Monzo explored the chargeback process for Ms R. Having reviewed this aspect, I can't say Monzo acted unfairly by not raising a chargeback. This was due to Mastercard's rules regarding chargebacks, the merchant that the card payments went to (who had provided their service) and the nature of the claim (that Ms R was the victim of a scam) meaning there was no reasonable prospect of success through the Mastercard chargeback scheme.

In summary, while I appreciate Ms R's been the unfortunate victim of a scam, I think Monzo's decision not to refund her in this instance was fair and reasonable in the circumstances. I say this because Monzo followed Ms R's instructions to make the card payments and I haven't seen any reason why it shouldn't have done this. And there wasn't any reasonable prospect of success through a chargeback under the Mastercard chargeback scheme. So there wasn't anything further Monzo could do to help Ms R recover her funds.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms R to accept or reject my decision before 23 December 2022.

Matthew Horner
Ombudsman