

The complaint

Ms H complains that Monzo Bank Ltd ('Monzo') did not reimburse the money she transferred to a fraudster.

What happened

Ms H's complaint was brought to this service by a representative. As the account is in Ms H's name, I'll mainly refer to Ms H in this decision.

What Ms H says

Ms H says that she messaged someone about an investment opportunity on social media and then messages moved to WhatsApp. Ms H didn't know at the time that the messages were from a scammer not a trader. She asked the scammer for information about the investment. The scammer explained that for a 25% commission she traded on behalf of clients. The minimum investment was £500, and Ms H could expect a return of £1,500 to £2,000 net of commission in three to five hours. The scammer said that as it was Ms H's first time investing, she was guaranteed to get her initial return back.

Ms H invested £500 and was told later that day she would receive profits of £9,750 but needed to pay a £2,100 release fee first. She was provided with screenshots which showed the profit. The scammer asked Ms H which bank she was sending the funds from and after Ms H confirmed they would come from Monzo, she was asked to make two payments of £1,050. After she made the payments Ms H was told that profits had increased to £20,793.61. As profits exceeded £20,000, Ms H was told there was an additional fee of £1,500. Ms H said she couldn't afford this amount and asked for a refund. The scammer told Ms H she couldn't get a refund at that stage and that she should pay £500 and the scammer would pay the rest.

Ms H made the following payments during the scam:

Date	Amount	Payee
01/12/21	£500	1
01/01/21	£1,050	2
01/01/21	£1,050	2
02/01/21	£500	2
Total	£3,100	

Ms H was told she should expect to receive profits a few days later but this didn't happen, and Ms H realised she was the victim of a scam. She called Monzo to report the scam on 6 January 2021. Ms H is unhappy that Monzo hasn't agree to refund the money she transferred to the scammer.

Ms H believes that the payments she made were unusual because of the amounts, the fact the payments were made in rapid succession and because it was the first time she had invested. As a result, she believes Monzo should have intervened and stopped the payments from being made. Ms H doesn't believe the on screen fraud warnings she

received in the app went far enough. Ms H has also referred to the fact she was very young at the time of the scam and she was vulnerable because of this. Other factors that made her vulnerable included the fact that she was a student and didn't know what she was investing in and the fact she was in financial difficulty so susceptible to scams.

What Monzo say

Monzo hasn't agreed to reimburse Ms H. It says that Ms H didn't take sufficient steps to ensure she was making a genuine investment. But Monzo said it too long to respond to Ms H's complaint and paid her £50 compensation.

Our investigation so far

The investigator who considered this complaint didn't recommend that it be upheld. She said that she didn't think Ms H had a reasonable basis for believing she was making a legitimate investment because:

- The investment was arranged over social media and Ms H communicated with the scammer via WhatsApp. Monzo provided her with a warning that said genuine investments aren't arranged over social media or things like WhatsApp.
- The scammer told Ms H to ignore the warning which should have led to concerns.
- The rate of return was unrealistic.
- Ms H paid two individuals rather than a company.

Ms H didn't agree with the investigator's findings. Through her representative, she said:

- She was vulnerable to the scam given her age at the time it happened. Ms H said that youth is associated with inexperience which made Ms H more vulnerable.
- The investigation had focused on Ms H's reasonable basis for belief but Monzo had a duty to protect Ms H from harm. The payments were unusual and so Monzo should have had a conversation with Ms H. Had it done so, Monzo would have identified that she was falling victim to a scam which it could have prevented. The screen warning provided by Monzo wasn't sufficient.
- If Monzo had intervened as it should have, the chances of recovering Ms H's funds would have increased.

Ms H's complaint has been passed to me to consider.

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 be good industry practice at the time.

When thinking about what is fair and reasonable in this case, I've considered whether Monzo should have reimbursed Ms H under the provisions of the Lending Standards Board's Contingent Reimbursement Model CRM Code (the CRM Code) and whether it ought to have done more to protect her from the possibility of financial harm from fraud. Monzo isn't a signatory of the CRM Code but has explained that it is committed to applying the principles set out in it.

Was Ms H vulnerable as defined in the CRM Code

Ms H's representative has said she was vulnerable at the time of the scam, so I've thought very carefully about whether Ms H met the CRM Code definition of vulnerable at the time

she made the payments. Whilst I have a lot of sympathy for Ms H, I've decided that she wasn't vulnerable as set out in the CRM Code.

The CRM Code says that someone is vulnerable – and so should receive a full refund of the amount lost in an APP scam if, *'it would not be reasonable to expect that Customer to have protected themselves, at the time of becoming victim of an APP scam, against that particular APP scam, to the extent of the impact they suffered.'*

I accept that young people can be vulnerable, but this in itself isn't enough for me to ask Monzo to provide a refund. The CRM Code requires me to consider Ms H's ability to protect herself from this particular scam at the time that it happened. I think Ms H's age and inexperience likely played a role in what happened, but I'm not persuaded these factors meant she was unable to protect herself from the scam she fell victim to. Before she paid the fees (two times £1,050) Ms H said to the scammer that she didn't want to lose her money, showing that she recognised there was a risk. And as a university student I consider Ms H had the skills to complete some research to satisfy herself the investment was genuine.

I've gone on to consider whether Ms H had a reasonable basis for believing that she was paying a genuine trader for an investment. I appreciate Ms H was tricked into making the payments. But this isn't enough for her to receive a refund of the money under the CRM Code. The Code says that 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.

*There are further exceptions outlined in the CRM Code that do not apply to this case.

Taking into account all of the circumstances of this case, including the characteristics of Ms H and the complexity of the scam, I think the concerns Monzo has raised about the legitimacy of the transactions Ms H made are enough to support its position that it can rely on an exception to reimbursement. I don't think she had a reasonable basis for believing the payments were for genuine services or that the person she transacted with was legitimate and will explain why. I should also say that it's the combination of these factors that lead me to believe Ms H didn't have a reasonable basis for belief and that none of them can be considered alone.

- Ms H saw the investment on a social media platform and contact with the scammer was via WhatsApp. This is not what I'd expect of a legitimate trader.
- The investment Ms H was offered did not sound genuine and the rate of return and the timescale to receive it were too good to be true. Initially Ms H was told that an investment of £500 would yield a profit (net of fees) of £1,500 to £2,000 in three to five hours. The scammer also told Ms H that she was guaranteed to receive her initial investment back on the same day. I can't agree with Ms H's representative that a rate of return of over 300% in a matter of hours is realistic and I consider that Ms H should have taken additional steps to understand how this was possible.

When Ms H made the two payments totalling £2,100 on the day of her initial investment she was told her profit had reached £9,750. This is rate of return of nearly 2,000% in a matter of hours and ought reasonably to have rung alarm bells. Ms H did seem to have some concerns because she asked the scammer to explain how it worked again, saying she didn't want to lose her money. The scammer simply told her that if she paid £2,100, she would receive her profit and Ms H accepted this.

The following day Ms H was told her investment had reached £20,793.61 (an

increase of over 4,000%). She was asked to pay a further fee of £1,500 (which would be refunded) and when she said she couldn't afford this amount the scammer told her to pay £500 and she would pay the rest. The rate of return was totally unrealistic, and no genuine trader would agree to pay fees for a client so I consider Ms H should have taken additional steps before making the payment.

- The language used by the scammer wasn't professional and wasn't what I'd expect of a genuine trader. She used words like 'Sis'.
- Ms H didn't receive any documentation in respect of the investment (other than receipts) which is unusual.
- Ms H paid two different individual payees. The scammer told her she was providing the details of the finance department so paying individual payees was strange. There was also no explanation for the fact Ms H was paying a different person from the second payment onwards and Ms H didn't ask for one. This is not what I'd expect if she was investing through a genuine company.
- Ms H was asked to pay the £2,100 release fee in two payments of £1,050. She wasn't provided with an explanation for this and didn't request one.
- Ms H looked at the website provided but didn't complete any other research before deciding to go ahead and invest. She has explained the loss of funds has had a huge impact on her, so I'd have expected her to have gone further before transferring her funds to a stranger. I appreciate that Ms H has said a shared religion gave her confidence that the scammer was genuine, but I don't think it was reasonable to rely on this given the other red flags I've discussed.
- The warnings Ms H was given by Monzo in the payment journeys should have led her to take additional steps before transferring funds. I've seen evidence that Ms H was provided with a general warning when she made the first payment and with a specific investment warning when she made the two payments of £1,050. The warning said, "*Legitimate investments aren't arranged over social media or things like WhatsApp*". Ms H arranged the investment through social media and WhatsApp so this warning ought to have resonated with her. The warning also advised her to check the company she was investing with was FCA registered and advised her not to pay if this wasn't the case. The scammer didn't claim to be from an FCA registered company, so I think this warning ought reasonably to have led Ms H to question the trader and to complete some independent research.

Overall, I don't consider Ms H did enough to satisfy herself she was making a genuine investment and so Monzo is entitled to rely on an exception to reimbursement under the CRM Code.

Should Monzo have done more to try to prevent the scam and protect Ms H?

The CRM Code says that where firms identify authorised push payment scam risks in a payment journey, they should take reasonable steps to provide effective warnings (as set out in the CRM Code) to their customers. The Code also says that the assessment of whether a firm has met a standard or not should involve consideration of whether compliance with that standard would have had a material effect on preventing the scam.

I'm not persuaded that any of the payments Ms H made were out of the ordinary and so I don't think Monzo ought to have believed there was a scam risk. The amounts sent weren't particularly large and didn't clear Ms H's account of funds. To Monzo, the transactions appeared to be genuinely authorised payments and there was no reason why they wouldn't have seemed genuine.

I'm aware that Ms H's representatives have said that as there were four payments over two days Monzo should have intervened rather than just provide screen warnings in the payment journey, but I don't agree. None of the payments were especially large and even if added together were not so unusual that I'd expect Monzo to call Ms H to discuss them. I don't believe Monzo needed to provide effective warnings under the CRM Code for the same reasons.

There is a balance to be struck between identifying payments that could potentially be fraudulent and minimising disruption to legitimate payments. If all payments such as the ones Ms H made were blocked while further enquiries were made, many genuine payments would be stopped which would cause significant disruption and delay. Whilst banks have obligations to be alert to fraud and scams and to act in their customers' best interests they can't reasonably be involved in every transaction.

Did Monzo do enough to recover Ms H's money?

I've also considered Monzo's actions once it was made aware of the scam. Ms H reported the scam on 6 January 2021, and I've seen evidence that Monzo tried to recover Ms H's funds from the two banks she sent them to on the same day, but no funds remained. In the circumstances, I don't consider there was anything more Monzo could have done.

My final decision

For the reasons given, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 14 December 2022.

Jay Hadfield
Ombudsman