

The complaint

Mr R and Ms S complain that Monzo Bank Ltd (Monzo) won't refund the money they lost to a scam.

What happened

The details of this complaint are well known to both parties, so I won't repeat them all again here. But briefly: in 2021, Mr R and Ms S hired a builder to complete some work for them. Ms S made the following payments from their joint Monzo current account:

Date	Amount
22/07/2021	£3,000
22/08/2021	£6,500
25/08/2021	£3,000
26/08/2021	£2,250
27/08/2021	£5,000
01/09/2021	£5,000
04/09/2021	£5,000
06/09/2021	£10,000
07/09/2021	£4,000
07/09/2021	£6,000
08/09/2021	£9,000
13/09/2021	£7,500
01/10/2021	£4,000
Total	£70,250

The builder completed some initial work such as stripping the floorboards. But he didn't complete the vast majority of the work Mr R and Ms S had paid him for. They also had to get work redone, such as laying the floorboards, due to its poor standard.

Mr R and Ms S say they found out the builder was using an alias and had prior fraud convictions. They reported their concerns to the police, as well as Monzo and trading standards. The builder has since been arrested and charged with several counts of fraud and money laundering.

Monzo wouldn't refund Mr R and Ms S. It said the matter was a civil dispute between them and the builder. But when our investigator looked into this complaint, she thought they had been the victim of fraud – and that Monzo should refund them in line with the provisions of the Lending Standards Board Contingent Reimbursement Model (the CRM code/the code), which it has agreed to follow.

Monzo didn't agree with the investigator, so the case has 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.

Having done so, I've decided to uphold this complaint. I'll explain why.

Ms S authorised these faster payments. But the starting position under the CRM code – which Monzo has agreed to follow – is that firms should reimburse customers who fall victim to authorised push payment (APP) scams.

Monzo argues that Mr R and Ms S weren't the victim of an APP scam, and that this is simply a civil dispute between them and the builder they hired. The code doesn't apply to such disputes, where a customer has paid a *legitimate* supplier for services but hasn't received them; they are defective in some way; or the customer is otherwise dissatisfied with them.

In line with the CRM code, the key here is whether Ms S paid the builder for what she believed were legitimate purposes – but which were in fact fraudulent.

Ms S had researched the builder and found positive reviews online, so believed he was legitimate. Their messages (which she's shared with us and Monzo) show she was paying him for the work they had agreed he would complete. But I'm persuaded the builder *wasn't* operating legitimately and instead set out to defraud her and Mr R.

Ms S and Mr R have provided records from the police showing the builder has been charged with numerous counts of fraud, following receipt of a large number of complaints similar to theirs – suggesting this was part of a wider 'rogue builder' scam he was operating.

Ms S and Mr R have provided evidence to the police to support the criminal case against the builder. The police seem to accept that they were the victims of fraud by him. I consider it reasonable to rely on that.

The messages show the builder told Ms S to pay him for various orders he was placing with suppliers. But she's been in touch with several of those suppliers – and they have replied to confirm the builder never placed the orders (or got in touch at all). That supports the case that the builder was taking their money under false pretences.

I appreciate the very early stages of the works were started (such as stripping the floors). In the wider circumstances, I'm persuaded that was part of the scam. It helped convince Ms S and Mr R to pay him more money, for work I don't think he intended to complete. The photographs they've provided show he left their house in disrepair. They had to get the minor work he did (such as starting to relay the floors) redone due to its poor standard.

Overall, I'm persuaded this was a scam, not a civil dispute. So the CRM code applies – meaning the starting position is that Monzo should refund Mr R and Ms S.

There are some exceptions under the code, where a firm may not be expected to fully reimburse a customer who hasn't met the standards expected of them. But Monzo hasn't argued that any such exceptions apply here.

And, in the interest of completeness, I'm satisfied it wouldn't be fair to apply an exception relating to the actions Mr R and Ms S took. As Monzo has acknowledged, they had little reason to doubt the legitimacy of the builder *at the time*. It didn't become apparent that the work wouldn't be completed until later on.

Nor can I see they were shown an effective warning by Monzo, when making these payments, which ought to have alerted them that this was a scam. In all the circumstances, I've therefore decided that Monzo ought to have refunded Mr R and Mr S when they raised their fraud claim.

Putting things right

For the reasons given above, I've decided that Mr R and Ms S should be fully reimbursed. I therefore direct Monzo Bank to refund them the money they lost to the scam – which I understand to be £70,250. It should pay 8% simple interest per year (less any tax properly deductible) on this amount, from the date it declined to refund Mr R and Ms S to the date of settlement.

My final decision

My final decision is that I uphold this complaint and direct Monzo Bank Ltd to put things right in line with what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R and Ms S to accept or reject my decision before 30 April 2023.

Rachel Loughlin
Ombudsman