

The complaint

Miss I complains that Monzo Bank Ltd won't refund the money she lost, after she fell victim to an 'authorised push payment' ("APP") scam.

What happened

The background to this complaint is well-known to both parties, so I won't repeat it all here. But briefly, and based on the submissions of both parties, I understand it to be as follows.

Miss I was looking for part time jobs in New Zealand, when she received an email from a company, through her university email address, saying they were looking for a representative in the UK. Miss I was offered the job and told she would receive £280 per week, for work that would take her no more than one and a half hours a day (from Monday to Friday).

Miss I was told she would need stationary in order to fulfil the role and has told us she received emails saying that an international transfer payment had been made to her, so that she could buy these materials. Miss I was told the money would take two days to reach her, so she was asked to pay for the materials in advance, to enable her to start work. Believing everything to be genuine, on 7 May 2022, Miss I went ahead and made a payment for £550, through her mobile banking, to account details the company provided her with. But unknown to her at the time, Miss I was dealing with fraudsters and had sent money to an account the fraudster controlled.

The following day, still believing she was dealing with a legitimate company, Miss I sent a further payment for £500, again through her mobile banking. Miss I was told this payment was to purchase further materials. Miss I realised she'd been scammed when she didn't receive the materials or international transfer payments she was expecting and when the communication with the fraudster stopped.

Miss I raised the matter with Monzo. Monzo is not a signatory to the Lending Standards Board's Contingent Reimbursement Model (the CRM Code) but has agreed to adhere to the provisions of it. This means Monzo has made a commitment to reimburse customers who are victims of authorised push payment scams except in limited circumstances. Monzo investigated Miss I's fraud claim but concluded it had no responsibility to refund her loss. In summary this was because it didn't consider Miss I had taken enough steps to check who she was paying and what for.

Monzo tried to recover Miss I's money from the receiving bank (the bank to whom the money was sent), but it was only able to recover £13.43, which it returned to Miss I. Monzo did apologise to Miss I for the support it provided when dealing with her complaint and for not responding to messages in a timely manner. In recognition of this it compensated Miss I with £50.

Miss I didn't agree with Monzo's findings and so brought her complaint to our service. One of our Investigator's looked into things, but didn't think the complaint should be upheld. In summary, he thought Monzo was entitled to rely on exceptions to reimbursement under the

CRM code. He thought there was enough going on that Miss I should have had some concerns about the transactions she made. Our Investigator also thought Monzo had paid appropriate compensation in relation to the service it had offered.

Miss I didn't agree with our Investigators view. As agreement couldn't be reached the complaint has now been passed to me for a 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.

I'm very aware that I've summarised this complaint 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. 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 a free alternative to the courts.

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.

In broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. However, where the customer made the payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for the bank to reimburse them, even though they authorised the payment.

When thinking about what is fair and reasonable in this case, I've considered whether Monzo should reimburse some or all of the money Miss I lost in line with the provisions of the CRM Code it has agreed to adhere to, and whether it ought to have done more to protect Miss I from the possibility of financial harm from fraud.

I'm sorry to hear of what's happened to Miss I, and I can understand entirely why she feels so strongly that this money should be returned to her. But having thought very carefully about Monzo's actions, I don't think it acted unfairly by declining her claim under the CRM Code. While this was a scam that tricked Miss I into sending payments and receiving nothing in return, that doesn't mean Monzo is responsible for her loss. I also don't think it could have done any more to try and recover the money. So, while I know it will be disappointing for Miss I, having considered everything I'm not upholding her complaint.

Under the CRM Code, a bank may choose not to reimburse a customer if it can establish that*:

- 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

Monzo has argued that Miss I didn't have a reasonable basis for believing the payment she was making was for genuine goods or services.

I've thought carefully about whether this exception(s) to reimbursement applies in Miss I's case. And, on balance, I don't think she has made the payments whilst having a reasonable basis for belief that she was engaging in a legitimate transaction. I'll explain why.

- Miss I was offered a position, seemingly without the company interviewing her or providing any documentation regarding the role. I think it is questionable whether a legitimate company would contact somebody out of the blue and offer them a role, without first discussing it with them.
- Coupled with this I find the initial offering, of £280 per week, for no more than seven and a half hours work is improbable to the point of being too good to be true. I don't think this was plausible and I can't see that Miss I has questioned how this could be achieved.
- Miss I was asked to pay over £1,000 to what she thought was a genuine company. But didn't question why she was being asked to pay a personal account if it related to a business. I also think it's questionable that a legitimate company would ask a new employee to use their own money to buy materials, while other payments were pending.
- Although Miss I has said she thought the company were genuine as they'd contacted her on her university email address. Miss I has herself acknowledged that she didn't carry out any checks on the company to see if they were legitimate. Considering what she was being offered and what she was being asked to do (in terms of making upfront payments), I think it would be reasonable to have expected her to approach things with a bit more caution.

I'm mindful that, taking any of the individual factors above in isolation, they may not have been enough to have prevented Miss I from proceeding. But when considering the specific circumstances of this case and the factors in the round, on balance, I think that there was enough going on and sufficient red flags that Miss I ought reasonably to have taken further steps to protect herself. All things considered, I don't think Miss I had a reasonable basis for believing the payment she was making was for genuine goods or services and I'm persuaded this was sufficient reason for Monzo to fairly decline to reimburse her under the CRM Code.

Should Monzo have done anything else to protect Miss I and prevent the fraud

I've thought about whether Monzo did enough to protect Miss I from financial harm. The CRM Code says that where firms identify APP scam risks, they should provide effective warnings to their customers.

I am also mindful that, when Miss I made these payments, Monzo should fairly and reasonably have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things).

Having considered this, I'm not persuaded the payments Miss I made to the fraudsters were remarkable and so I'm satisfied Monzo needn't have identified a scam risk and in turn did not need to provide effective warnings or question the payments before processing them. And so overall, I don't believe Monzo needed to do more than it did.

I've considered whether Monzo did all it could to try and recover the money Miss I lost, once she had reported the scam to it. From the evidence I've seen, Monzo did contact the receiving bank when she raised the matter, but unfortunately the receiving bank reported only £13.43 remained, which has since been returned to Miss I. I think Monzo has done what could reasonably have been expected of it to try to recover the money.

I understand that Miss I is unhappy with the service Monzo provided. Monzo has recognised its service fell short and offered Miss I £50 compensation for this. I think the offer of compensation Monzo has made is fair and reasonable in the circumstances and is in line with what I would have expected.

I am sorry that Miss I has lost money in this way, and I understand the whole experience will have been very frustrating and upsetting for her, but in the circumstances, for the reasons explained, it wouldn't be fair or reasonable for me to order Monzo to repay her the money she sadly lost.

My final decision

My final decision is that I don't uphold this complaint against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss I to accept or reject my decision before 27 February 2023.

Stephen Wise
Ombudsman