

The complaint

Mr M complains that Monzo Bank Ltd won't refund money he lost as a result of a scam.

What happened

Mr M says he regularly receives text messages advertising loans and prize draws. He decided to follow a link contained within one of those messages – which claimed he'd won a £2,000 prize.

Mr M was taken to a website. Initially he was asked to send documents to verify his identity in order to receive his prize. Later, the website informed him that he needed to purchase investment packages in order to have the money released. Those investments would, it was claimed, produce returns in a matter of a few days.

Mr M made 24 payments over about three days to the website totalling just under £1,000. The payments were made via 'Open Banking' – Mr M instructed the payments directly from the fraudulent website and confirmed them through his Monzo application.

His profits appeared to increase significantly, but when he asked to withdraw his funds, the website operator broke off communication and Mr M realised he'd been the victim of a scam. Initially Monzo said that it didn't think the payments were eligible for reimbursement under the Lending Standards Board Contingent Reimbursement Model ("CRM Code") which requires its signatories (or firms which have agreed to adhere to its principles, like Monzo), to refund victims of authorised push payments scams in all but a limited number of circumstances. It said that the payments went to a cryptocurrency account in Mr M's name, and therefore didn't go to 'another person' as required by the CRM Code. Later it said that Mr M was responsible for the loss because he hadn't carried out enough checks on the recipient.

The matter was referred to our service, but one of our investigators thought that Monzo could fairly rely on one of the exceptions to reimbursement set out in the CRM Code. They argued that Mr M ought to have done more checks on the website before going ahead and they thought that what the website offered was too good to be true.

Mr M disagreed, he said that he felt like he was being blamed for what happened and he shouldn't lose out because he was tricked.

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.

Under the relevant rules – the Payment Services Regulations 2017 – Mr M is responsible for payments he's made himself (even under deception). But Monzo has agreed to adhere to the principles of the CRM Code, which mean it should only decline reimbursement if it can show that one of the exceptions to reimbursement can be demonstrated. It also has

longstanding obligations to be on the lookout for out of character and unusual transactions to protect, among other things, against the risk of financial harm from fraud.

There was initially a dispute about whether the CRM Code was relevant here. The fact Open Banking was used to process the payments does not exclude them from consideration under the CRM Code. Instead the relevant test is whether the payments went to 'another person'. I've recently obtained evidence from the receiving bank which demonstrates the funds did go to an account held in Mr M's name. But, I can also see that some of the contact information for Mr M on that account is different to what we have on file. He's also said that he provided identity documents to the fraudsters. So, the evidence is consistent with a third party setting up the account in Mr M's name. That means the complaint should be considered under the CRM Code as the recipient account can't fairly be described as Mr M's. But, even if I'm wrong about this, for the reasons I've set out below, whether the case falls under the provisions of the CRM Code or not, makes no difference to the overall outcome.

Monzo have declined to reimburse Mr M on the basis that he didn't have a reasonable basis for believing that the recipient of the payments he made was legitimate. Having considered this matter carefully I'm inclined to agree. In doing so, I've thought carefully about Mr M and his characteristics (as the CRM Code requires). I don't wish to hold him to an unreasonable standard when judging his actions, but there are a number of aspects of what happened to Mr M that strike me as unusual and ought to have led him to question what he was doing.

I appreciate that Mr M might have entered competitions in the past that were genuine, but he says he received an unsolicited text message which didn't suggest that he *could* win £2,000 but that he already had won it. I note, however, that the text message he's provided simply says '2000 Credited'.

I know that some unscrupulous advertisers use such techniques to entice people into making purchases, so I can understand why Mr M might have clicked on the link out of curiosity – just to see if he could really access the prize. A subsequent request for identity documents probably should have caused him a little more concern – particularly as he was sending them to a website he'd done little, if any, research on.

But then Mr M was told he'd need to invest money in order to receive his winnings and that he'd be able to make 'huge' profits if he did so, he ought to have known at this point that what he was being asked to do was significantly different from the 'prize' he was offered. And, it's not clear Mr M understood how his investment was supposed to generate profits and simply accepted the fact that money was being, or could be, generated.

While I appreciate Mr M was an inexperienced investor and may not have known about the Financial Conduct Authority register (a warning that fraudsters were impersonating a genuine firm existed prior to Mr M making the payments), but he seems to have entirely relied on what was written on the website itself and not carried out any other checks.

I think Mr M ought to have known that the prize he was offered was simply too good to be true and ultimately he put faith in a website that he'd been introduced to by way of an unsolicited text message from an unknown number.

I also note that he frequently interacted with Monzo in the year proceeding the scam. Some of those interactions relate to quite similar experiences. For example, a dispute raised on 8 July 2022 shows that Mr M was looking to purchase computer games but ended up making a series of payments to a website in order to claim a prize that never materialised (a website he seemingly subsequently couldn't locate). I would have expected that an experience like this would have made him more cautious when dealing with unfamiliar websites and dubious offers.

Taking all of this into account, I've decided Mr M didn't have a reasonable basis for believing that the recipients of his payments were genuine and Monzo can fairly rely on this exception under the CRM Code.

I note that Mr M had a gambling block on his account, which would prevent him making payments to UK licenced gambling companies. Given the nature of his previous disputes, I asked Mr M about this, as well as whether there was anything that might have made him more vulnerable to scams at the time. Mr M said that he'd had problems with fraudulent transactions before but had never had a gambling addiction. So, on balance, I don't think the part of the CRM Code that deals with vulnerable customers is relevant here.

I also don't think there was any obligation on Monzo to provide a warning, or to intervene before the payments left Mr M's account. I can't see that Monzo would have considered there to be any risk of an APP scam here. Although there were a significant number of payments in a relatively short period of time, no single payment was larger than £50 and Mr M's account appears to have a history of making frequent low value card payments. So I'm not persuaded that the activity indicated Mr M was at risk of financial harm from fraud and that Monzo made a mistake by allowing it to proceed without speaking to Mr M.

Finally, I've thought about whether Monzo took sufficient steps to try and recover Mr M's money. When he first reported the matter to the bank, it wasn't clear that he was reporting being the victim of a scam. He said that the recipient of his payments hadn't received them. It wasn't until around 6pm on 26 August 2022 that he described having fallen victim to a scam. It's evident that Monzo had reached out to the receiving firm by 12:24 on 27 August 2022. But I can't see that the receiving firm took steps to try and recover the funds until 29 August 2022, at which point it said that no funds remained. That means that while Monzo might have acted a little bit more quickly, given that the receiving firm took two days to take any action, I can't fairly conclude that the delay has led to any loss to Mr M.

My final decision

For the reasons I've explained, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 21 July 2023.

Rich Drury
Ombudsman