

The complaint

Ms S complains that Monzo Bank Ltd ('Monzo') won't refund the money she lost in a scam.

What happened

Ms S is represented in this case but for ease I'll refer to Ms S throughout my decision.

Ms S says that a friend of hers told her about a platform I'll refer to in this decision as P. She was required to download an app that she says had good reviews and looked professional and was contacted by an account manager through a messaging app and added to a group. Ms S was required to make a deposit to release packages that would allow her to like social media content. She would receive a set amount each time she liked something. The amount she would receive per like depended on the platform. P's logo was similar to a well-known company and appeared to be related to it and Ms S says she checked P on the Companies House website.

On 24 January 2022 Ms S paid £100 for a package that allowed her to earn £2 a day for likes on a social media platform. She saw that as she liked things the balance of her wallet reached around £30. She was then advised of a VIP offer where the more she invested the greater the amount she earned. The maximum investment was £3,000 which Ms S paid to a different payee on 12 February 2022. She says she expected to receive £100 a day after making this payment. She has provided a profit analysis table that shows that a £3,000 payment gave her 175 tasks and a daily income of £105 and a monthly income of £3,150.

Shortly after Ms S made the second payment P went offline, supposedly for a few hours. She has been unable to contact P since.

Ms S contacted Monzo to say she was the victim of a scam on 14 February 2022. Monzo considered Ms S's claim under the Contingent Reimbursement Model Code (CRM Code) but didn't agree to provide a refund. Whilst Monzo hasn't signed up to the CRM Code it has agreed to follow its principles. Monzo said Ms S didn't complete enough checks before making the payments and referred to the warnings it provided.

Our investigation so far

The investigator who considered this complaint recommended that it be upheld in part. She said that Ms S had a reasonable basis of belief in respect of the first payment of £100 so should receive a full refund of that payment. By the second payment the deal offered by P was too good to be true and the premise of the deal not very believable. But as Monzo didn't meet its standard by providing an effective warning it should reimburse half of the second payment.

Ms S agreed with the investigator's recommendation, but Monzo didn't. It said:

- Neither of the accounts Ms S paid had any connection with the company she thought she was dealing with (P) and the fact the payee name was different for the second payment should have concerned Ms S.
- P was incorporated after the first payment had been made so it seems unlikely Ms S completed the checks she said she had before making this payment.
- The payments Miss S made weren't out of the ordinary, but Monzo still provided

warnings when a new payee was created and when making payments. One of these warnings advised Ms S to stop if the deal seemed too good to be true, which was the case here.

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.

When thinking about what is fair and reasonable in this case, I've considered whether Monzo should have reimbursed Ms S under the provisions of the CRM Code and whether it ought to have done more to protect her from the possibility of financial harm from fraud.

There's no dispute here that Ms S was tricked into making the payments. But this isn't enough for Ms S to receive a refund of the money she lost. Under the CRM Code, 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.

I have considered the position for each of the two payments Ms S made.

Payment 1 - £100

On balance, I think Ms S had a reasonable basis for believing she was paying for a legitimate service when she made this payment. She had received a recommendation from a friend who said she'd made money through P. Ms S had downloaded an app that at the time had good reviews and had to register by providing personal details. Ms S was also able to use the app to make the deposit. The rate of return/salary Ms S expected to receive also wasn't unreasonable - Ms S was expecting to receive £2 a day for completing a small number of tasks. I can see why these factors would make her believe she was dealing with a legitimate company.

I think the level of checks I'd expect a customer to perform need to be proportionate, so I wouldn't necessarily have expected Ms S to have looked at whether P was a legitimate business by checking the Companies House website at this stage, particularly in light of the recommendation from her friend.

Taking all of these factors into account, I don't consider Monzo has demonstrated that it can fairly rely on an exception to reimbursement in respect of this payment so it should refund it in full and add interest as set out below.

Payment 2 - £3,000

Taking into account all of the circumstances of this case, including the characteristics of Ms S and the complexity of the scam, I think the concerns Monzo has raised about the legitimacy of this transaction are enough to support its position that it may rely on an exception to reimbursement under the CRM Code. I don't think Ms S had a reasonable basis for believing the payment was for genuine services or that the person she transacted with was legitimate. Ms S was making a more significant payment so ought reasonably to have taken more care when she made this payment.

I have taken into account the following:

- Ms S hadn't received an income or made any withdrawals following her first payment to satisfy herself the scheme was genuine.

- The amount Ms S was expecting to receive was too good to be true. Ms S said she was expecting to receive £100 a day after making the payment and the evidence I have seen says Ms S was promised £3,150 a month. This is a large amount of money to earn for unskilled task-based work and ought reasonably to have led to concern about its legitimacy. And nothing in the information I have been provided with suggests the monthly payment was time limited, making the opportunity even more implausible.
- The only research Ms S says she did was to check P on the Companies House website. This showed that P was incorporated before Miss S made her first £100 payment in January 2022. So, if Ms S had looked at this information before paying £3,000, I consider her findings ought to have led her to complete further checks and to question why she'd already made payments to a company that wasn't incorporated when she did so. At the time Ms S made the £3,000 payment P had been incorporated for a few days only.
- Ms S has said herself that because P was new there weren't any reviews to check so a level of scepticism would be reasonable, particularly given the large sums on offer.
- Ms S was paying a second new payee and didn't have a plausible explanation for this. The company she was paying had no connection to P (as didn't the company she paid when she made the first payment) but I can't see that any questions were asked about this.
- Ms S had no documentation in relation to the scheme. The only communication was via the app and was generic to all those involved with P. I haven't been provided with, for example, a contract setting out the terms of the agreement between Ms S and P.

Where a customer doesn't have a reasonable basis for believing they are making a legitimate payment a bank may still be liable to pay a proportion of their loss if it didn't meet one of the standards for firms set out in the CRM Code. One of these standards is to provide an effective warning when a firm identifies an authorised push payment scam risk in a payment journey.

Given the usual activity on Ms S's account I consider the payment of £3,000 was unusual and Monzo should have provided an effective warning in respect of it. It was for a much larger sum than any previous transaction on Ms S's account and was to a new payee. So I've gone on to consider the warnings Monzo provided and whether they were effective as set out in the CRM Code.

The new payee warning Monzo provided when the payment was made simply asked if the payment could be to someone who is trying to scam Ms S and provided a link to click if in doubt. The payment warning also asked if someone could be trying to scam Ms S and advised her to stop if she was told her account was at risk, an offer was too good to be true, she hadn't checked who she was paying or had been told to ignore the warning.

Like the investigator, I don't consider these warnings were effective. They were generalised warnings that weren't specific to the scam Ms S fell victim to. The warnings didn't provide detail or bring to life the type of scam Ms S fell victim to.

As Monzo didn't provide an effective warning in respect of this payment it should reimburse half of it to Ms S. Monzo should also pay interest on this amount as set out below.

Did Monzo do enough to recover Ms S's funds?

I've also considered Monzo's actions once it was made aware of the scam. This service has contacted the firm that received Ms S's £3,000 payment and seen evidence which shows that Ms S's funds were removed from the account within minutes of the payment. This means that when Ms S reported the scam two days after her last transfer no funds remained

in the receiving account. So I don't consider Monzo could have done more. The firm that received Ms S's £100 payment hasn't responded to our information request but as I believe Ms S should be refunded this amount, I'm issuing my decision without a response.

Interest

The initial £100 payment came from Ms S's current account. I think that were it not for the scam this money would have been spent on everyday expenditure and so Ms S should receive interest at the rate of 8% per annum simple on this refund. Before Ms S made the £3,000 payment, she transferred the same amount from her savings account to her current account. Were it not for the scam I think it more likely than not these funds would have remained in Ms S's savings account and so she should receive savings account interest rate on the £1,500 refund I am awarding Ms S.

My final decision

My final decision is that Monzo Bank Ltd should:

- Refund £100 plus interest at the rate of 8% simple per year from the date Monzo should have refunded Ms S under the CRM Code to the date of settlement.
- Refund £1,500 (50% of £3,000) plus interest at the originating savings account rate from the date Monzo should have refunded Ms S under the CRM Code to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 1 May 2023.

Jay Hadfield
Ombudsman