

The complaint

Miss T complains that Monzo Bank Ltd won't refund money she lost as a result of a scam.

What happened

On 24 November 2022 I issued my provisional decision on this complaint. I wanted to give both sides a chance to provide further information before I issued my final decision. That provisional decision forms part of this final decision and is copied below.

What happened

In late November 2020, Miss T received a call from someone claiming to be from HMRC. The caller said that she owed unpaid taxes and, if she did not make payments immediately, she'd be arrested. Unfortunately, she wasn't dealing with HMRC, but a fraudster.

Miss T made thirteen payments to the fraudsters totalling just over £10,000 over the course of about ten days. The exact reason for each of these payments is not entirely clear. The money which funded the payments came from her account at another financial business that I'll call B. As well as sending the fraudsters her own money, her account at B was also funded with payments that came from her mother, sister and seemingly another victim of the same scam.

Eventually, Miss T spoke to her brother and called the genuine HMRC which made her realise she'd been the victim of a scam.

By January 2021, both Monzo and B had closed Miss T's accounts. The same month Miss T reported the matter to Monzo. She said that she'd found the fraudsters to be very persuasive because they seemed to know about a debt she had with a different government department and they called from a telephone number which matched the genuine HMRC number.

Monzo isn't a signatory to the Lending Standards Board Contingent Reimbursement Model "CRM Code" which requires a firm to reimburse a customer who has been the victim of an APP scam like this one in all but a limited number of circumstances, but it has agreed to abide by its principles. In this case, Monzo argued that two exceptions to reimbursement applied - that Miss T lacked a reasonable basis for believing that the recipient of the funds was legitimate and that she ignored an Effective Warning that it had given. It did, however, acknowledge that it hadn't dealt with her claim in the way it ought to have done, so paid her £50 in compensation to reflect this.

Miss T referred the matter to our service and one of our investigators upheld the complaint in part. They thought Miss T held a reasonable basis for belief in making the first three payments but thought there was too much that ought to have concerned her about the latter payments for her to have still held that belief. They were also of the view that Monzo had not provided an 'Effective Warning' as it was required to do under the CRM Code, so they recommended that Monzo refund 100% of the first three payments and 50% of the subsequent payments.

Monzo agreed to refund the first three payments but said there was no basis for asking it to refund the others as Miss T hadn't chosen the correct payment reason when making the payment and, in any case, the warning she did see was 'Effective'.

As no agreement could be reached, the case was passed to me for a final decision.

What I've provisionally 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.

The relevant regulations, as well as the terms and conditions of Miss T's account, state that she, rather than Monzo is responsible for any transactions she's carried out. But I've also considered whether Monzo should refund Miss T in line with the provisions of the CRM Code and whether it ought to have considered the activity on her account so unusual and out of character that it should have intervened before allowing the payments to go ahead.

Monzo have already agreed to refund the first three transactions Miss T made. So, I don't need to consider these further. She has also agreed with the investigator's recommendation that she should only receive 50% of the other payments, but I'll also briefly address whether I think she had a reasonable basis for belief in making those later payments.

I don't think she did. There are several reasons why Miss T ought to have had serious concerns about what she was being asked to do:

- There were obvious mistakes in the correspondence including glaring misspellings such as 'Splease' and nonsensical claims such as her owing money for the tax year 2014/20.*
- It's still not clear to me what most of the fees were for and what reasons were given for her having to continue to make payments, to various new payees, all for less than £1,000.*
- As the scam went on for a number of days Miss T had the opportunity to contact the genuine HMRC but didn't. I don't believe it was beyond her knowledge and experience to do this, even without being prompted to do so by a third party.*

So, I don't think she had a reasonable basis for belief in making the payments after payment three.

Did Monzo meet its standards as a firm under the CRM Code?

Monzo also has obligations under the CRM Code, of particular relevance here is its obligation to provide a scam warning where it identifies a scam risk in a payment journey. In considering whether Monzo met its standards I also need to take into account whether compliance with that standard would have had a material effect on preventing the scam.

I've reviewed the payments which took place and I can see that Monzo did consider some of them to be higher risk - including the first payment. Miss T was asked to choose a reason for each payment that went to a new payee. She chose 'something else' rather than 'HMRC'. While Miss T says she doesn't remember seeing 'HMRC' as an option and doesn't think it was an option at the time, Monzo have confirmed that it was. In the absence of any evidence to the contrary, I have to conclude that Miss T could have chosen 'HMRC' as the payment reason but didn't.

I haven't repeated the warning she did see here because her choice made it very difficult for Monzo to give a tailored and impactful warning. It wouldn't be fair to suggest that Monzo had failed to adhere to an obligation that it was never possible for it to meet. It's also the case that had its HMRC warning met the definition of 'Effective' under the CRM Code (though that's not a finding I need to make here), it would be irrelevant because Miss T wouldn't have seen it. So, I don't find that Monzo has failed in its obligations as a firm. That means that, under the CRM Code, I don't find that Miss T is entitled to any reimbursement, beyond what has already been offered by Monzo.

Should Monzo have done anything else to prevent the scam?

In addition to its obligations under the CRM Code, Monzo has a longstanding obligation to be on the lookout for out of character and unusual transactions to help protect its customers from (among other things) financial harm from fraud.

As already set out, Monzo did provide tailored warnings based on the payment reason chosen for the payments which went to new payees. It also provided less tailored warnings for the other payments made.

However, I don't think these warnings were sufficient in the circumstances. The pattern of transactions which debited Miss T's account was very unusual - with multiple payments being made to new payees on the same day. Prior to the scam, Miss T didn't use her account frequently - often with months between the payments, so this sudden surge of activity should have stood out as being unusual to Monzo. I think that it had grounds to think that Miss T was at risk of financial harm from fraud by payment six - the first £945 payment on 26 November 2020. This payment was the third payment that day - all to a new payee. I think, at this point, Monzo ought to have done more and contacted Miss T about the activity.

Had it done so, I've no reason to think she wouldn't have told it that she was paying HMRC. Given the nature of the payments it would have been obvious to Monzo that Miss T was falling victim to a scam and it would have been in a position to provide a very strong warning that likely would have prevented any further loss to Miss T. But, as I've already set out, Miss T clearly had a role to play in what happened and I think that a fair deduction from any refund should be 50%.

To be clear, that means that Monzo, in addition to a full refund of payments one to three, should refund 50% of payments six to nine and eleven (payments ten and twelve will, or have already been, returned to Miss T and payment thirteen was returned to her at the time).

I further note that payments twelve and thirteen were funded by credits from what appears to be another victim of the same scam. So, I don't think these payments represent a loss to Miss T and, assuming payment twelve has already been returned to Miss T, they should be deducted from the total returned to her.

I can't see that Monzo made any attempts to recover the funds Miss T sent. In advance of this provisional decision, we contacted the firms which received Miss T's money. The evidence they've provided shows, unsurprisingly, that the majority of Miss T's money was

removed from the receiving accounts soon after it arrived. But, as already mentioned, I can see that the final payment of £100 was returned immediately to her account. And, a payment of £997 was returned to Monzo on 24 January 2021 (but doesn't appear to have been returned to Miss T). Finally, a further payment of £995 remained in the account of one of the account holders. Arrangements are being made between Monzo and the receiving bank for this money to be returned to Miss T. I expect both amounts to be returned to Miss T in advance of my final decision (if they haven't been already).

It appears the first three payments in dispute were all funded by Miss T's own money so I'm satisfied that she should receive interest on those amounts. Had that money been returned at the time, it seems likely it would have been used for general spending, so I think interest should be paid at 8% simple per year. Monzo acknowledge that it didn't review Miss T's claim in line with the CRM Code until the matter was referred to our service. Under the provisions of the CRM Code it ought to have reviewed the case within 15 days. So, I think interest should be paid from 26 January 2021 (15 days after the matter was first reported).

The latter payments were not funded by Miss T's own money. And, as I can't make an award for losses suffered by third parties, I don't make any interest award in relation to those payments.

Finally, in its submissions to our service, Monzo offered a further £100 compensation to Miss T (in addition to the £50 already paid) to recognise the delays in responding to her complaint and the poor communication following the scam being reported. I think this fairly recognises the impact on Miss T.

My provision al decision

I intend to uphold in part this complaint and ask Monzo Bank Ltd to:

- *Pay Miss T 100% of payments 1-3 - £2,365.*
- *Pay 8% simple interest per annum on that amount from 26 January 2021 to the date of settlement.*
- *Pay Miss T 50% of payments 6-9 and 11 - £2,122.50.*
- *Return payment 10 to her in advance of my final decision - £997*
- *Deduct payment 12 (if already returned to Miss T) and payment 13 from the amount refunded, as those payments do not represent any loss to her.*
- *£100 compensation.*

Miss T accepted my provisional decision. Monzo, despite further contact from our investigator, did not respond.

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.

As Miss T accepted my provisional decision and Monzo didn't respond, my final decision is unchanged from my provisional decision set out above. The only slight change I've made is in the wording of the redress, to reflect the fact that Miss T says she has not received any money back from Monzo and it has neither confirmed nor denied whether any funds have been returned.

My final decision

I uphold in part this complaint and instruct Monzo Bank Ltd to:

- Pay Miss T 100% of payments 1-3 - £2,365.
- Pay Miss T 8% simple interest per annum on that amount from 26 January 2021 to

the date of settlement.

- Pay Miss T 50% of payments 6-9 and 11 - £2,122.50.
- Pay Miss T the value of payment 10 - £997 (unless this amount has already been paid to her)
- Deduct the value of payment 13 from the amount refunded, as this payment does not represent any loss to her. If, and only if, payment 12 has also already been returned to her, it should also be deducted from the amount refunded for the same reason.
- Pay Miss T £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 12 January 2023.

Rich Drury
Ombudsman