

The complaint

Miss B complains that Monzo Bank Ltd won't reimburse her the money she lost when she fell victim to an investment scam.

What happened

Miss B saw some posts on a well-known social media website, promoting a trading investment and including messages that appeared to show other people had made profits.

She made contact with the trader who instructed her to download an app onto her phone. The app was for a legitimate cryptocurrency exchange company (which I'll refer to as G).

Miss B was told to set up an account with G on this app and that would then allow her to send her money on to the trader's company. Miss B was told trades would then be made on her behalf.

Having downloaded G's app to her phone and set up an account in her own name, Miss B sent £500 to her account with G. She sent this as a transfer from her Monzo account which she'd opened a few weeks earlier.

Miss B was told her investment was doing extremely well, and a day later was told it had reached a value of just over £13,000. But to withdraw her profits, Miss B was told she'd need to pay a release fee of £2,100. She made this payment and then sent further payments via her account with G, again in the expectation that this would mean her money and profit would be returned. In total, Miss B had sent payments from her Monzo account then through her account with G amounting to £6,900.

But when she'd not received anything back, either to her Monzo account or her account with G, Miss B realised she'd been the victim of a scam. She reported what had happened to Monzo.

Monzo didn't refund Miss B. It didn't dispute that she had been the victim of a scam but said that because the loss had occurred when Miss B sent the funds onward from the cryptocurrency exchange, it wasn't liable to reimburse her. The payments had gone to an account in her own name so when she'd been making them it hadn't caused Monzo concern she might be about to lose her money. It directed her to contact G about the funds she'd ultimately lost from her account with that platform. Monzo was unable to recover any of the money she'd lost.

Miss B didn't accept this and referred her complaint to this service for an impartial review. She said she'd initially tried to send a payment from the account she holds with another bank, but that bank had blocked her payment and told her it was a scam. She thought Monzo should have done the same.

Our Investigator looked into the complaint. He didn't think Monzo had treated Miss B unfairly. The Investigator noted that Miss B was transferring money from her Monzo account to an account she'd set up in her own name with G, and she'd set that account up with the intent

of facilitating onward payments to the trader. That meant the APP scam reimbursement code (the Contingent Reimbursement Model code or CRM Code) wouldn't apply, because the payment from Monzo hadn't gone directly to another person.

He also didn't think it would have been apparent to Monzo that the payments Miss B was making were connected to a scam, nor that they were unusual for her account given Monzo had no prior usage it could compare them against. So, he didn't think Monzo could reasonably have been expected to intervene or take steps to warn Miss B more than it had. He didn't find Monzo at fault and didn't require it to refund Miss B's losses.

Miss B didn't accept our Investigator's view. Her complaint has been passed to me to reach a final decision on the matter.

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.

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.

I'm sorry to hear about what happened to Miss B. I can understand entirely why she feels her money should be returned to her. She's been the victim of a crime here, and she's explained the impact it's had on her. She was deceived by a scam that led her to believe the trader was investing her money and making a significant profit. Miss B's been left out of pocket by a significant sum as a result. So, I can appreciate why she'd now like Monzo to refund her for what she lost, and why she wants the bank to take the blame.

However, the main cause of these losses were the scammers who deceived Miss B. For me to say Monzo is liable in this type of situation, I would need to find that the bank could and should have acted to prevent the eventual loss, or that it failed to meet its obligations in some other way.

A voluntary code does exist to provide additional protection against APP scams (the Contingent Reimbursement Model Code – CRM Code). Monzo has agreed to adhere to this code when assessing scam claims. But as the Investigator explained, payments made to a customer's own accounts won't normally be covered by the CRM Code.

That matters because the account to which Miss B sent money from her Monzo account was an account registered in her own name at G. She'd set this up and knew it was being used as a route to move money on to the trading platform. Based on what I have seen, I find that the CRM Code provisions don't apply to Miss B's complaint about Monzo.

However, while I therefore find the CRM Code does not apply here, that Code is not the full extent of the relevant obligations that could apply in cases such as this.

First of all, under the relevant regulations, and in accordance with general banking terms and conditions, banks have a primary obligation to execute an authorised payment instruction without undue delay. As a consequence, the starting position is that liability for an authorised payment rests with the payer, even if they made that payment as the consequence of a fraud or scam - for example as part of an investment scam such as this was.

However, where the customer made the payments as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for the bank to reimburse the customer even though the customer authorised the transactions. I consider that a bank also has a duty to take reasonable steps to protect its customers against the risk of fraud and scams.

In particular, I consider that as a matter of good industry practice Monzo should have been looking out for payments or payment patterns that were significantly out of character or unusual and that might therefore be indicative of the potential for financial detriment to its customer through fraud or a scam.

In short, the test I need to apply here is whether the evidence is such that I consider Monzo ought to have had significant concerns that these transactions could be indicative of possible financial harm through fraud or a scam – to the extent that this would have overcome its primary obligation to carry out Miss B's payment instructions.

With all of the above in mind, I've thought carefully about whether the available evidence demonstrates that Monzo did enough given the specific circumstances here.

While I've carefully considered all the evidence and points raised by Miss B, I don't consider these payments, were so significantly unusual that I could find Monzo at fault for not having taken further steps than it did.

Monzo did provide a general scam warning, urging Miss B not to make payments to anything that seemed too good to be true, and urging her to question how well she knew the person she was dealing with. Miss B acknowledges seeing and reading this warning, but says she was adamant to start – she thought the opportunity was genuine and the warning didn't apply.

Of course, Monzo could have provided an even stronger warning about the risks. But I can't fairly hold Monzo liable for not providing Miss B with a stronger warning when there was no obligation on Monzo to do so for transactions of this nature. While the payments were made in reasonably quick succession, the other factors here, including that the payment was going to an account in Miss B's own name and one to which she'd previously sent money would reasonably have made the payments appear less likely to result in loss through fraud or scam. And Monzo had no tangible account history against which to determine whether this was unusual behaviour for Miss B's account.

On balance, and taking everything into consideration, I do not find that there was enough here for me to say Monzo should have intervened rather than fulfil its primary obligation to carry out Miss B's instructions.

Further I am satisfied that when Monzo was made aware of the scam, it took the appropriate actions. This included its attempts to recover Miss B's lost funds – however, they'd already been moved on from her account with G in the course of the scam, and nothing remained with G to be recovered.

Overall, I don't find Monzo was at fault here. I can't fairly require Monzo to refund these payments.

In saying this, I want to stress that I am very sorry to hear about what happened to Miss B and I am sorry she has lost out. Miss B was the victim of a crime and a cruel scam carefully designed to defraud her of her money. I appreciate that what she's lost here adds up to a significant sum. But it is simply the case that I don't find Monzo was at fault in making these payments in line with the instructions she gave Monzo at the time, and I don't find the bank

liable to refund her for any other reason.

My final decision

For the reasons given above, I do not uphold Miss B's complaint about Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 13 July 2023.

Stephen Dickie
Ombudsman