

The complaint

Mr A complains that Monzo Bank Ltd hasn't fully refunded him for the money he lost when he fell victim to a cryptocurrency investment scam.

Mr A brings his complaint with the assistance of a professional representative, meaning some submissions were made on his behalf. But for clarity in what follows, I will throughout solely refer to Mr A.

What happened

Mr A received a message on social media from a friend, with whom he'd previously studied. The message said the friend had been very successful with an investment scheme. They'd made £5,000 from a £500 investment in a short space of time. The friend offered to introduce Mr A to the person that had helped them to do this.

Unfortunately, and unknown to Mr A at the time, the messages were not from the person he knew. That account had been hacked and the message promoting the investment was instead sent by a scammer.

Mr A contacted the person who'd supposedly helped his friend to make these large profits. He decided to go ahead. He was given the name of an investment platform and was able to create an account with it and also with a crypto wallet provider.

Mr A then sent a payment of £2,000 from his account held with another bank to the crypto wallet. Very quickly he was told his account was worth £20,000.

The scammer told him that he needed to pay £5,000 to upgrade his account which would allow him to withdraw his profits immediately. He was told he'd also receive an extra £50,000 profit.

Mr A seems to have then attempted to pay more using his bank card. But the card payment didn't go through.

Mr A was told by the scammer to send the payment as a bank transfer instead. He was given payment details to use – different to those of the wallet he'd previously made the payment to. The payee's name he was given didn't match the name of the wallet, the platform or the broker, appearing instead to be a medical company.

Mr A set up the new payee and sent a £5,000 payment from his Monzo account to the payment details specified by the scammer.

But he was then told that he'd need to make a further payment to obtain a withdrawal code. The scammer told him the sum required was £10,500. Mr A was told that he'd receive a further £60,000 profit once he'd paid this. But Mr A could only afford to send £5,000, which the scammer said they'd accept.

He made the payment again from his Monzo account later that same day. This time the payment was to be sent to an account in an individual's name, although the name didn't match that of the person Mr A believed he'd been dealing with.

Mr A had been told that he'd then be able to withdraw funds within minutes. But this didn't happen and when his friend stopped replying to his messages, he realised he'd been the victim of a scam. He reported what had happened to Monzo early the following morning.

On 19 October, Monzo contacted the recipient bank in an attempt to recover Mr A's money. By this time however, the majority of the money had been removed by the scammer and only £59.68 could be recovered, leaving Mr A significantly out of pocket.

A voluntary code exists to provide additional protection to scam victims in many circumstances - the Lending Standards Board Contingent Reimbursement Model CRM Code (the CRM Code). The CRM Code requires firms to reimburse customers who have been the victims of APP scams in all but a limited number of circumstances. Monzo isn't a signatory of the CRM Code but has explained it is committed to applying the principles set out in it.

Monzo assessed Mr A's scam claim under the terms of the CRM Code. It accepted it hadn't acted quickly enough in contacting the firms that had received Mr A's payments in order to attempt to recover his losses. But it didn't think Mr A had taken reasonable steps to check the supposed investment before he'd made the two payments. The bank said it and Mr A should equally share the responsibility for the resulting losses. It offered Mr A the sum of £5,000 (half the value of the payments he'd sent) in addition to the small amount it had been able to recover.

Mr A didn't accept this. He thought Monzo should fully reimburse him.

One of our Investigators looked into his complaint. She thought Monzo was entitled not to fully refund Mr A all of the money he'd lost. She didn't think Mr A had held a reasonable basis for believing what he did when he sent these two payments. She didn't find he'd met the definition of vulnerability under the CRM Code. She thought Monzo had fairly assessed his claim under the CRM Code and its offer (50% of the total payments made) was a fair one in the circumstances.

Mr A asked for the matter to be looked at afresh by an ombudsman. His case has now been referred to me to reach a final 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 sorry to hear about what happened to Mr A. He's lost a considerable sum through this scam. I can understand why he feels so strongly that his losses should be refunded in full by Monzo.

However, while I have sympathy for Mr A in what happened, I have to recognise that the principal cause of his losses here were the scammers who deceived him. I must also take into account that Monzo has a primary obligation to carry out the payment instructions its customers give it. As a starting point, a customer is therefore assumed liable for a payment they have instructed to be made.

In saying that - where the customer made the payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for a bank to reimburse its customer

even though the customer authorised the payment.

Amongst other things, Monzo has a duty to exercise reasonable skill and care, pay due regard to the interest of its customers and to follow good industry practice to keep customer's accounts safe.

Additionally, as I've mentioned above, the CRM Code can provide increased protection for the victims of APP scams. I'm satisfied that the payments Mr A made falls within the scope of the CRM Code. But despite offering additional protections, the CRM Code includes provisions allowing a firm not to reimburse APP scam losses fully in some circumstances.

Relevant here, those circumstances include where the customer made a payment without a reasonable basis for believing that the person the customer was dealing with was legitimate, providing a genuine service, or that the payee was the person the customer was expecting to pay.

Monzo says this exception applies here. So while it had reviewed Mr A's claim against the CRM Code, it didn't think it was required to reimburse him in full.

As a starting point in deciding this complaint, I need to determine whether Monzo has established this exception to reimbursement can be fairly applied – in other words, that Mr A made the payment without having a reasonable basis for believing it was legitimate. In considering this point, I've carefully considered everything Mr A has submitted as well as the evidence submitted by the bank.

This scam began with a message that appeared to have come from Mr A's friend. It would have appeared to have additional legitimacy given that apparent source. Mr A says he'd never believed in this type of message about investments before, but the source being his friend made him think this one was real.

However, despite this, there were some features that I think should reasonably have caused Mr A to use greater caution before sending a large sum of money.

Firstly, the returns on offer were extraordinarily high (returning ten times the investment in a matter of hours and seemingly without risk). I think this was simply too good to be true. I understand Mr A's point that he didn't have prior investment experience, but I think even without prior experience this would have seemed an unusually high rate of profit – hence the attraction of the scheme. By the time he was being asked to make the first payment from Monzo he was being told he'd be receiving £70,000 profit within minutes for an investment totalling £7,000.

What's more, Mr A says his first attempt to send these funds by card payment failed – again I think this ought to have made Mr A question why that had happened if he was making a legitimate payment to an investment platform.

Mr A was then given a payee name for the first transfer which didn't appear to match the story he was being told by the scammer. It's unclear why the investment money would be sent via a medical company. The name has was told to pay bore no relation to the crypto wallet provider or investment platform he thought he was using. Similarly, when he was told he needed to pay more to get a withdrawal code, he was given the name of a personal account to use which bore no relation to the person he thought he was dealing with and no obvious relation to the supposed investment platform.

In short, I find there were several indicators that all might not be legitimate. I've carefully considered Mr A's representations regarding his circumstances and lack of prior investment

experience. But I don't find Mr A's circumstances left him unable to protect himself from this type of scam - I do not find he was vulnerable in terms of the CRM Code.

I can also see from the message history that Mr A asked his friend how the investment worked. However, he did so only after he'd sent both payments - too late to influence his actions. I consider it is reasonable to have expected Mr A to have identified earlier that this opportunity might not have been all it appeared.

All things taken into consideration; I think Monzo has been able to fairly establish that when Mr A made both these payments, he did so without a reasonable basis for believing he was paying to a legitimate investment.

In terms of the CRM Code, where a customer made a payment without having a reasonable basis for believing they were paying for legitimate service from a legitimate merchant, or that they were paying the person they believed they were, then their bank does not need to fully refund them for their loss even when this was the result of a scam. I find Monzo is entitled to rely on that here.

However, under the terms of the CRM Code a bank may still be required to partially reimburse a customer in circumstances where it hasn't met the standards set for firms by the code. That would include requirements in terms of funds recovery or in taking sufficient steps to protect the customer from falling victim to a scam.

Here, the CRM Code says that, if Monzo didn't meet these any or all of these standards, it should share liability for half the loss suffered by Mr A. Monzo accepts it didn't meet all of the standards required and accordingly has offered to refund Mr A 50% of the payments he lost to the scam.

It's important to note that under the CRM Code further failings on the part of a firm would not increase the amount it must reimburse. So, I am satisfied that in making an offer to refund Mr A 50% of the payments he made, Monzo has complied with what the CRM Code says it should do when assessing his claim for reimbursement. That means I do not need to consider whether there may have been further failings on Monzo's part as even were I to find that was the case, it would not affect the amount due to be returned to Mr A under the CRM Code's terms.

However, I have nonetheless gone on to consider whether Mr A should be refunded more than he has been for any other reasons besides those contained in the provisions of the CRM Code.

Firstly, at the time Mr A made these payments, I'd expect Monzo to have had systems in place to look out for unusual transactions or other signs that might indicate a customer was at risk of fraud (among other things). If it had identified such a risk, then I might expect it to have intervened before processing a payment instruction – taking that action in order to protect its customer from potential harm.

But even were I to find this applicable in Mr A's case, I consider any corresponding award I could make would be significantly reduced to reflect contributory negligence on his part - for broadly similar reasons to those I have detailed above in considering the reasonableness of his belief in the legitimacy of the payment purpose and destination. In such circumstances I would not award a higher sum overall than Monzo has already offered. In other words, I am satisfied this would not result in a higher figure than Mr A is entitled to receive from Monzo under the terms of the CRM Code.

I have also considered the impact of the delay Monzo acknowledges occurred in the actions

it took to recover the funds Mr A had sent. The first payment was sent to a money transmission firm, which confirms the transaction had completed at the time. It says no funds could have been recovered. So I don't think Monzo's delay has made a difference here.

For the second payment, I have contacted the relevant firm to clarify what sum might have been recoverable had Monzo acted at the time the scam was first reported to it. However, it was confirmed to me that the total sum that could have been recovered at that point was lower than the amount Monzo has now agreed to reimburse Mr A with under the CRM Code. So, I cannot fairly require more of Monzo in this respect either, no additional money could have been returned to Mr A even had it attempted to recover his money more promptly.

I know from what Mr A says that he thought a far higher figure remained in the second account, even three days after he'd reported the scam. This was based on a posted message he'd seen from the scammer after the event. However, based on my enquiries I am satisfied that the scammer's message was false and likely part of the overall deception. It wasn't a true figure reflecting what was in the recipient account for recovery on that date.

With all of the above in mind, and based on what I've seen, I don't consider that Monzo needs to do more than it has already done and does not need to refund more than the 50% it already has paid to Mr A. I understand that this is not the outcome Mr A wants and I recognise what the loss of this money has meant for him. But I can reassure Mr A that I've carefully considered all the circumstances of his complaint before reaching what I consider to be the fair and reasonable decision in all of the circumstances.

My final decision

For the reasons given above I do not uphold Mr A's complaint about Monzo Bank Ltd. I do not require it to pay Mr A more than the sum it has already paid him.

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

Stephen Dickie
Ombudsman