

The complaint

Mr L complains that Monzo Bank Ltd (“Monzo”) won’t refund money he lost after falling victim to a scam.

What happened

In 2022, Mr L posted an advert online looking for someone local to do some maintenance work on his home.

Mr L says he had three responses, which included a response from a tradesperson I’ll refer to as J. Mr L says that all three responses provided a similar quote for the work he wanted to be done, but he found J to be the most professional. Mr L says he looked at J’s profile on a social media site used by locals in his area. He says there were positive comments from people J had completed work for, J was a member of local tradesperson groups on the site and also had pictures posted of work he’d done.

Mr L says he exchanged multiple messages with J via Whatsapp and once they’d agreed the work to be done - J sent him an invoice. Mr L was asked to pay upfront for the scaffolding costs and for the materials being used in the work. However, he was told that this would be deducted from the final bill. J also told him that a work guarantee would be provided by his insurance broker.

Mr L sent the initial payment of £1,140 for the materials and scaffolding on 27 January 2022.

A few days later J got in touch with Mr L and told him the insurer wouldn’t provide cover unless 50% of the jobs total value was paid upfront, he said this was because the total cost was less than £5,000. J said that on receiving the additional payment from Mr L he would send the insurance documents.

On 4 February 2022 Mr L sent the second payment of £210. Both of the payments were made from Mr L’s Monzo account and had the payee as T.

The work was due to be started on 28 February 2022, but no one turned up at Mr L’s property. Mr L tried to contact J but he didn’t respond to messages or answer the phone, so Mr L got in touch with Monzo and raised a fraud claim.

Ultimately J never turned up at Mr L’s property, didn’t complete any work and didn’t return any of Mr L’s funds.

When Mr L raised the fraud claim with Monzo on 28 February 2022, they let him know they would contact the receiving bank to try and recover his funds.

On 2 March, Monzo contacted Mr L and let him know no funds were recovered. In error they also told Mr L that his fraud claim had been closed. Monzo realised their mistake and contacted Mr L on 7 March saying a dispute team was looking into his fraud claim and apologised that they hadn’t correctly explained what would be happening.

Ultimately Monzo declined to refund Mr L the funds he lost but apologised for incorrectly saying his fraud claim was closed and paid him £25 compensation. Mr L wasn't happy with Monzo's response, so he brought a complaint to our service.

An investigator looked into his complaint and partially upheld it. They felt Monzo should pay £100 compensation for the distress caused by the poor service Mr L received from them. However, the investigator didn't recommend that Monzo refund Mr L for the £1,350 saying Mr L didn't have a reasonable basis for believing that J was legitimate.

Monzo disagreed with the investigator's opinion, saying they felt the award of £100 was too high in the circumstances. Mr L also disagreed with the investigator's opinion, saying that the £100 wasn't adequate for the level of stress he was caused. Mr L also feels Monzo should've given him more advice and guidance when making the payments to J.

As the case couldn't be resolved it was passed to me to review.

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.

Monzo aren't a signatory to the Contingent Reimbursement Model Code (CRM Code) but have agreed to adhere to the provisions of the Code. The CRM Code requires firms to reimburse customers who have been victims of Authorised Push Payment (APP) scams like this, in all but a limited number of circumstances.

Under the CRM Code, a bank may choose not to reimburse a customer if it can establish that*:

- 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 service; and/or the person or business with whom they transacted was legitimate.

* There are further exceptions outlined in the CRM Code, but they don't apply to this case.

Having reviewed the case, I agree that Monzo can rely on this exception to reimbursement for the following reasons:

- The invoice that J sent Mr L wasn't professional and didn't contain the type of information that I'd expect from a genuine tradesperson. There was no company name, no contact information for a company or J, no company logo or branding and no terms and conditions other than saying that payments were due within 15 days.
- While Mr L had been dealing with J who would be doing the work, he was asked to make a payment to an account in the name of T. He didn't question why the account name didn't match J's name.
- Mr L says he saw positive comments on J's social media profile, I can't see that Mr L contacted any previous customers of J to check the quality of his work or their satisfaction with the work done. And, while there were pictures posted on J's profile of work he was supposed to have done, there was nothing to prove that this was his work.
- Other than looking at J's profile on one social media website, Mr L didn't do any other

checks to ensure that J was who he said he was, was qualified to do the work he was quoting for, or check what online information was available about him or his company.

- Mr L didn't ask any questions with regards to an insurer not providing cover based on the upfront payment, which I think should've concerned him. Also, he didn't ask for any information about the insurer, what they would be insuring and what protection he would be given.

Taking all of these points into consideration as a whole, rather than on an individual basis, I'm not satisfied Mr L had a reasonable basis to believe that J was legitimately who he said he was. I think there were enough red flags that Mr L should've taken steps to verify the authenticity of the person he was dealing with before making the payments.

But I've also considered whether Monzo met the standards set for them under the CRM Code.

In this case, the first payment Mr L made was for £1,140. Based on the size of the payment and Mr L's previous account usage, I'm not persuaded that Monzo should've identified an APP scam risk and therefore they weren't required to give an effective warning. Also, the second payment was for a lower amount of £210 and was paid to the same payee as the first payment, so I'm not satisfied the second payment warranted an effective warning either. On that basis, I'm satisfied that Monzo have met the standards set for them, so Mr L isn't entitled to a refund under the CRM Code.

I can see that Monzo contacted the bank Mr L sent his money to promptly on being made aware of the scam. Unfortunately, they were unable to recover any funds as they were removed within three days of the second payment being received – meaning that no funds remained when Mr L reported the scam two weeks later. So, I'm satisfied Monzo took appropriate steps to try and recover Mr L's funds from the receiving bank.

Mr L asked Monzo to contact the receiving bank and try and remove the freeze from J's account, so J could refund him. However, Monzo is only required to contact the receiving to try and recover any part of Mr L's funds that were still in J's account at the time he reported the scam and credit Mr L with any funds recovered. Monzo wouldn't be involved in any decision made by the receiving about the action they took on J's account after receiving a fraud report. Nor would I expect Monzo to try and mediate with the receiving bank or discuss the actions they'd taken. Also, it's most likely that J asked Mr L to do this with no intention of returning any of the money. Having considered everything, I'm satisfied that Monzo acted reasonably in telling Mr L that they couldn't influence any decision made by J's bank in relation to J's account and that they wouldn't contact the receiving bank with Mr L's request.

Mr L is unhappy with the level of service he's received from Monzo and says he's experienced a large amount of distress as a result. Having reviewed the chats Mr L had with Monzo, I can see that he was incorrectly told that his fraud claim had been closed and that Monzo didn't clearly explain to Mr L what the next steps would be in handling his claim. Mr L has told us that he has an existing health condition which was exacerbated by the stress he's experienced, and I do think Monzo have caused additional stress to Mr L by providing a poor level of service. But, importantly, I can't hold Monzo liable for the distress caused to Mr L as a result of falling victim to a scam. Considering the level of service Mr L received from Monzo, I think the £100 compensation recommended by the investigator is fair.

I'm sorry to disappoint Mr L and realise that losing this money has had a serious impact on him financially and on his health. But, for the reasons given above, I can't fairly ask Monzo to refund him the money he lost to the scam.

Putting things right

To put things right Monzo Bank Ltd should pay Mr L £100 compensation.

My final decision

My final decision is that I partially uphold this complaint against Monzo Bank Ltd and require them to compensate Mr L as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 12 July 2023.

Lisa Lowe
Ombudsman