

The complaint

Mr and Mrs H complain that Monzo Bank Ltd ('Monzo') haven't refunded them after they were the victims of a scam.

What happened

Mr and Mrs H have a joint account with Monzo. As it was Mrs H who fell victim to the scam, I'll mainly refer to her in this decision.

On 17 July 2022 Mrs H received a message that she believed was from her son, but it was actually sent by a fraudster. Mrs H was told the sender's phone had crashed and the number the message came from was a temporary number. Soon after the scammer told Mrs H that he was unable to make a payment because the security number went to his old phone. The scammer asked Mrs H if she would make the payment and he'd pay her back on Wednesday. Mrs H asked the reason for the payment and the scammer told her it was for furniture he'd already bought.

Mrs H transferred £2,230.14 to the account details supplied to her. After she'd sent the payment she asked if the sender was being threatened and suggested using Mr H's phone as he was getting annoyed with all the messages she was receiving. Mrs H was then asked to make a further payment but said she wouldn't make it unless the sender called and spoke to her.

Mrs H reported the scam to Monzo at 14:00 on the day of the scam. Monzo considered Mrs H's claim under the Lending Standards Board Contingent Reimbursement Code (CRM Code). Although Monzo hasn't signed up to the code it has agreed to apply the principles of it. Monzo didn't agree to provide a refund because it said Mrs H didn't take enough steps to check who she was paying and what she was paying for. Monzo also contacted the bank that received Mrs H's funds but was told that there were no funds left in the receiving account to return.

Mr and Mrs H were unhappy with Monzo's response and brought a complaint to this service.

Our investigation so far

The investigator who considered this complaint recommended that it be upheld. He said this because he didn't think Monzo had demonstrated that it could fairly rely on an exception to reimbursement under the CRM Code. The investigator also said that had Monzo contacted the receiving bank sooner as he thought Monzo should have, Monzo would have been able to recover all the funds lost in the scam.

Mr H accepted what the investigator said but Monzo didn't. In summary, it said:

- It's unreasonable to expect Monzo to have reached out to the bank that received Mr and Mrs H's funds before they were removed from the account if the receiving bank didn't use a new portal designed to allow immediate reporting of scam transactions.
- Monzo referred to some guidance in respect of the CRM Code and said it has 24 hours to decide if a customer is a victim of a scam. Monzo said it acted correctly and adhered to relevant timescales in reviewing the information provided and then contacting the receiving bank.

- Mrs H didn't have a reasonable basis to believe she was communicating with her son. This was because:
 - o She asked to speak to the scammer on multiple occasions showing she had concerns and that she was capable of recognising the possibility she was being scammed.
 - o The investigator said that Mrs H's phone messages were annoying her husband so it would have been better to have called.
 - o Monzo hasn't been provided with any genuine conversations between Mrs H and her son to understand how they usually communicated.
 - o Given Mr and Mrs H's son's previous difficulties Mrs H should have completed more due diligence before transferring funds to an unknown recipient.

Mr and Mrs H's complaint has now been passed to me to review and issue a 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.

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.

The starting point for my considerations is that, under the Payment Services Regulations 2017 and the terms of his account, Mr and Mrs H are liable for transactions Mrs H has carried out herself. But Monzo have agreed to consider claims in line with the CRM Code and also have a longstanding obligation to be on the lookout for unusual and out of character transactions which might indicate their customer is at risk of financial harm from fraud.

There's no dispute here that Mrs H was tricked into making the payments. The CRM Code requires firms to reimburse victims of APP scams like this one unless it can establish that it can rely on one of the listed exceptions set out in it. 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 services; and/or the person or business with whom they transacted was legitimate.

There are other exceptions that are not relevant to this case.

I'm satisfied that Monzo has not shown that Mrs H lacked a reasonable basis of belief when she made the payment because:

- When considering if the reasonable basis for belief exception can be applied, the CRM Code requires me to take into consideration all the circumstances at the time of the payment including the characteristics of the customer. Mrs H has explained that she was a full-time carer for Mr H which she found to be stressful. Added to this, Mr H used to deal with their finances. With the benefit of hindsight, it's easy to say Mrs H should have called her son but given the stress she was under and the other factors I've listed below I don't consider she acted unreasonably in not doing so.
- Mrs H has told Monzo and this service of the difficulties her son had experienced and the debts he had built up. She has referred to multiple defaults, County Court

judgements and dealings with a debt management company. I'm persuaded that these factors, and previous requests for money from her son, were in Mrs H's mind when she received the scam messages. Mrs H's son also regularly changed phones and numbers to avoid contact from debt collectors, so a new phone number wasn't unusual. In these circumstances, I can understand why Mrs H believed the messages were from her son.

- The scammer said he could return the funds on Wednesday. Mrs H's son had a new job and was paid on a Wednesday. This helped to reassure Mrs H that she was messaging her son.
- I consider Monzo has misinterpreted the timing of the chat messages Mrs H has provided. Mrs H did ask to speak to her son on more than one occasion. And had she spoken to him the scam would have been uncovered. But I'm satisfied that the requests to speak to the person sending the messages were only made after Mrs H had made the scam payment. She didn't make the further payment the scammer asked for without speaking to her son. Likewise, Mrs H asked the person she thought was her son whether he was being threatened after she'd made the scam payment.

Monzo has said it hasn't been provided with previous messages to understand what a normal exchange of messages looked like. Monzo investigated Mr and Mrs H's claim before it was referred to this service, so had the opportunity to gather this evidence then.

Given the conclusion I have reached above, I consider Monzo should reimburse Mr and Mrs H in full. For the sake of completeness though, I'll cover Monzo's response to the scam claim in terms of recovery of funds.

I don't agree with Monzo that it has 24 hours to decide if a customer is the victim of a scam and contact the receiving bank. The guidance Monzo has quoted relates to how a fraud reporting call is routed and says a call should be directed to a specialised department immediately. Where this can't happen, a customer should receive a call back as soon as possible and within 24 hours.

The CRM Code itself sets out what are described as standards for firms. In respect of sending firms' responses, the CRM Code says at SF1(6):

"Where an APP scam is reported to a Firm, the sending Firm should:

- (a) Notify any UK receiving Firms in accordance with the procedure and timeframes set out in the Best Practice Standards.*
- (b) If a Firm is not a signatory to the Best Practice Standards, the Firm must have in place equivalent procedures to notify UK receiving Firms in a timely manner to enable the receiving Firms to meet the requirements under SF2(5)."*

The Best Practice Standards referred to in the CRM Code say that a sending bank should notify a receiving bank of an APP scam immediately. So I don't consider the delay in contacting the receiving bank in this case was reasonable. The scam was reported at 14:00 and Monzo didn't contact the bank that received the funds until 20:41. Mr and Mrs H's funds left the receiving account not long before Monzo's notification, meaning that if Monzo had acted more promptly all Mr and Mrs H's funds could have been returned to them.

Overall, I'm satisfied Monzo should refund Mr and Mrs H's loss, plus interest as set out below.

My final decision

I require Monzo Bank Ltd to:

- Refund £2,230.14;
- Pay interest on the above amount at the rate of 8% simple per year from the date of Monzo's decision not to meet the claim in line with the CRM Code to the date of settlement – less any tax that is lawfully deductible.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Mrs H to accept or reject my decision before 23 August 2023.

Jay Hadfield
Ombudsman