

Complaint

Miss M is unhappy that Monzo Bank Ltd won't reimburse her after she fell victim to an investment scam.

Background

In November 2021, Miss M fell victim to an investment scam. She was contacted on a social media platform by someone who claimed they could earn her a generous return on her money. She was told that she could expect to earn a return of ten times her initial investment. She was also reassured that, due to the technicalities of this individual's investment strategy, there was no risk to her capital. In the event that her investments didn't perform, she would simply have her initial outlay returned to her.

Unfortunately, Miss M wasn't talking to a legitimate investment professional at all, but a scammer. She used her account with Monzo to transfer £3,500 to an account controlled by the scammer. This was spread across three separate payments. Each time she authorised a payment in the Monzo app, a warning was displayed. It said:

"Stop, don't pay."

It's very likely this is a scam.

Remember:

Legitimate Investments will never guarantee profit

Legitimate Investments aren't arranged on social media or things like WhatsApp

Check out the company

See if they're a legitimate company [here](#). Don't pay unless they're registered with the FCA and you're certain you can trust them."

Miss M says she doesn't remember seeing the warnings. She proceed with the payments. When she realised that she'd fallen victim to a scam, she notified Monzo. It looked into what had happened, but it decided it wouldn't reimburse her. It didn't think she had carried out sufficient checks before transferring her money to the individual she'd been in contact with.

Miss M referred her complaint to this service. It was looked at by an Investigator who considered it under the Lending Standards Board's Contingent Reimbursement Model (CRM) Code. She upheld the complaint in part. She wasn't persuaded that the warning met the code's technical requirements for it to be an effective warning.

However, she thought that Miss M had made the payments without a reasonable basis for believing the investment was genuine. Applying the code, she recommended that Monzo reimburse 50% of the money Miss M lost to the scam.

Monzo disagreed with the Investigator's opinion. It said that it cannot be considered responsible for a customer not seeing or not remembering seeing the relevant warnings. It also argued that the warning was broadly relevant to the scam type. It's not realistic for it to

have warnings which cover every conceivable scam type. There was more than enough information in the warning for it to have raised alarms with Miss M.

Because Monzo disagreed with the Investigator's opinion, the complaint has been passed to me to consider and come to a final decision.

Findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've considered all the relevant evidence and arguments for this complaint and I've come to the same overall conclusion as the Investigator and for broadly the same reasons.

The starting point in law is that Miss M is presumed liable for any transaction she authorises. She did authorise the payments that are the subject of this complaint, albeit only because he'd been tricked into thinking she was investing her money. However, that's not the end of the story. Monzo has agreed to follow the terms of the CRM code. This code says that firms should refund its customers where they fall victim to a scam like this one, except in a small number of circumstances.

There are two potentially relevant exceptions on this case. They are:

"The Customer ignored Effective Warnings ... by failing to take appropriate action in response to such an Effective Warning"

"The Customer made the payment without a reasonable basis for believing that ... the payment was for genuine goods or services; and/or the person or business with whom they transacted was legitimate."

I'm not persuaded Miss M had a reasonable basis for believing this was a genuine investment opportunity. There were several potential red flags that ought to have made Miss M proceed more cautiously. The rate of return she was promised was extraordinary. She was told that she could turn £1,000 into £10,000 with two hours. As an annual rate of interest, this would be over 40 million per cent. She wasn't told that she'd need to pay for these services, nor that there was any risk to her upfront investment. I think she ought to have recognised that there was no realistic prospect that this investment opportunity was a genuine one.

In addition to that, the payments weren't all sent to the same payee, even though she'd only dealt with one named individual who she believed would be managing her investments. I think she ought to have had concerns about that anomaly. And finally, the vocabulary used by the scammer in her messages to Miss M was extremely informal and not what one would expect of a genuine investment professional.

I've also considered whether Monzo did what was expected of it under the code. It's argued that it displayed an effective warning when Miss M made these payments and so that exception to reimbursement should apply here.

The CRM Code has a specific set of requirements that must be met for a warning to be considered effective. Monzo has said that the warnings displayed when Miss M made these payments met those requirements. Although there was content in this warning that was relevant to the scam that Miss M had been targeted by (in particular, talking about the fact that legitimate investments don't originate on or get arranged through social media channels), I'm not persuaded that it met all of the requirements under the code.

It didn't bring to life what such an investment scam would look like from the perspective of the customer or highlight the most commonly occurring features of such scams. It didn't talk, for example, about the need to be wary of the promise of spectacular and implausible returns. I can also see from the messages Miss M exchanged with the scammer that she wasn't told that her profit was guaranteed, simply that her initial outlay wasn't at risk if something went wrong. The warning also talked about the importance of consulting the FCA website, but it rather took for granted that the customer would know how to go about doing so and how to interpret what information they might find there.

I also considered whether Miss M could be considered vulnerable, as that term is defined in the CRM Code. I asked Miss M to provide some further information about this, but it hasn't been forthcoming. I'm aware that she had some mental health challenges around the time she fell victim to the scam and that this was partly connected to the fact that she lost her job because of the coronavirus pandemic. However, I'm not persuaded that those circumstances alone would've made her meet the code's definition of vulnerability and so I don't think this affects the fair and reasonable outcome in this case.

For completeness, I also looked at whether Monzo had done everything it could to recover Miss M's money from the receiving bank – that is, the account controlled by the fraudster. I can see from the evidence that Monzo has shared with us that it contacted the receiving bank promptly after she notified it that she'd fallen victim to a scam. Unfortunately, Miss M's funds have been moved on from that account very quickly and so there was nothing left to be recovered.

Overall, I'm satisfied that Monzo hasn't been able to show that it met its standards under the CRM Code. As a result, I think it needs to refund 50% of the money Miss M lost.

Final decision

For the reasons I've set out above, I uphold this complaint in part.

If Miss M accepts my final decision, Monzo Bank Ltd needs to pay her 50% of the money she lost to the scam. It was also add on any interest that would've been earned on that 50% if it remained in the origination account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 12 April 2023.

James Kimmitt
Ombudsman