

## **The complaint**

Mr T complains that Monzo Bank Ltd won't refund the money he lost when he was the victim of a scam.

## **What happened**

In June 2021, Mr T received a phone call from someone claiming to be from the fraud team of another bank he had an account with. The caller told him fraudsters were trying to steal his money, and so he should move it to another account to keep it safe. They asked if Mr T had accounts with any other banks and, when Mr T said he had an account with Monzo, the caller suggested he move his money there. Mr T then transferred the balance of his account with the other bank to his Monzo account.

The caller said they'd arrange an appointment for Mr T to sort out his account with a local branch. But, as the soonest appointment they could get was the following day, they then suggested Mr T move his money from his Monzo account to a new account they had set up for him – to keep it safe until then. Mr T then made three payments from his Monzo account to the new account details the caller gave him, totalling £2,050. Unfortunately, we now know the caller was a scammer.

The scam was uncovered as Mr T messaged his wife while he was on the call with the scammer, and she suggested it sounded suspicious. Mr T then said he wanted to do more checks into who the caller was. The caller said they would call back later to give Mr T time to do those checks, but then never called back. Mr T contacted his other bank, who confirmed it was a scam, and then contacted Monzo to report the payments as fraud and ask it to refund the money he had lost.

Monzo investigated but said, when Mr T was making the payments, it showed him warnings that this could have been a scam but he chose to make the payment anyway. So it didn't agree to refund the money he had lost. Monzo was able to recover £41.75 from the account the money was sent to though. Mr T wasn't satisfied with Monzo's response, so referred a complaint to our service.

One of our investigators looked at the complaint. They didn't think Monzo had established that Mr T ignored an effective warning, or made the payments without a reasonable basis for believing that they were legitimate. So they thought Monzo should refund the money Mr T had lost, less the money it had already recovered. Monzo disagreed with our investigator, so the complaint has been passed to me.

## **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 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.

In broad terms, the starting position in law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. However, where the customer made the payment 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 they authorised the payment.

Monzo isn't a signatory of the Lending Standards Boards Contingent Reimbursement Model (the CRM code) but has said it is committed to applying the principles set out in it. This code requires firms to reimburse customers who have been the victim of authorised push payment scams, like the one Mr T fell victim to, in all but a limited number of circumstances. And it is for the firm to establish that one of those exceptions to reimbursement applies.

Under the CRM code, a firm may choose not to reimburse a customer if it can establish that:

- The customer ignored an effective warning in relation to the payment being made
- The customer made the payment without a reasonable basis for believing that:
  - o the payee was the person the customer was expecting to pay;
  - o the payment was for genuine goods or services; and/or
  - o the person or business with whom they transacted was legitimate

There are further exceptions within the CRM code, but these don't apply here.

*Did Mr T ignore an effective warning in relation to the payments?*

The CRM code says that an effective warning should enable a customer to understand what actions they need to take to address a risk and the consequences of not doing so. And it says that, as a minimum, an effective warning should be understandable, clear, impactful, timely and specific.

Monzo has sent us screenshots of the warning Mr T was shown before making the first payment. And this does mention being told your account is at risk. But it also mentions a number of other possible scams and doesn't provide much detail on what each type of scam might look or feel like. And I don't think it's clear enough about the seriousness of the potential consequences of sending money to a scammer. So I don't think this warning was impactful or specific enough to be effective in Mr T's circumstances.

Before Mr T made the second payment, Monzo spoke to him through its in-app chat and gave him a number of warnings about possible scams. These warnings mentioned that legitimate organisations would never claim that your account is in danger or ask you to move large amounts of money. They said that it's almost impossible to retrieve money after it's sent by a bank transfer. And they said that, if Mr T had provided Monzo with any misinformation in the chat that results in him sending a fraudulent payment, it wouldn't be able to refund the money he lost.

But I don't think these warning went into enough detail on what the scam might look or feel like either. They didn't mention that scammers could pressure you to make payments immediately. And they didn't mention that scammers could spoof phone numbers, to make it appear as if they were calling from a legitimate organisation, which is often an integral part of this type of scam.

The warnings also didn't mention any actions Mr T could take to address the risk that he was falling victim to a scam, such as hanging up the phone and calling the organisation back on a different phone number. And the warnings were in the middle of a chat and in amongst introductions by Monzo staff and questions about what Mr T was doing, so I think they will have been less impactful than a standalone warning that fully interrupts the payment process and makes a consumer stop and think about it.

So I don't think the warnings Mr T was shown before the second payment were specific or impactful enough to be effective in his circumstances.

Monzo hasn't sent us anything to suggest Mr T was shown a warning before the third payment he made.

So as I don't think any of the warnings Mr T was shown were effective, I also don't think Monzo has established that he ignored an effective warning in relation to any of the payments.

*Did Mr T have a reasonable basis for belief when making the payments?*

Monzo has said there were a number of red flags about what the scammer said and asked Mr T to do, that should have caused him concern. So it doesn't think he had a reasonable basis for belief that the payments were legitimate.

But when the scammer first called him, Mr T says they knew his full name and went through a security and identity verification process with him where they gave him partial information about his date of birth and address and asked him to complete the rest. And from what he's told us about this I think it's reasonable that this will have felt genuine and like a process a genuine bank would use.

The scammer had also disguised the phone number they were calling from, spoofing a genuine phone number for Mr T's other bank. So when Mr T asked the scammer to prove who they were, they asked him to check the number that appeared on his phone against one from the back of his bank card – and these matched. And I think it's reasonable that this will also have made Mr T think the call was coming from his genuine bank.

Mr T says the scammer asked him if he had recently received a text message from his bank, a charity or Royal Mail. And, as Mr T had recently received a text from Royal Mail about a missed delivery and followed the link to enter his details, the scammer suggested this was how fraudsters had got his details and were now trying to access his accounts to steal his money. And as the scammer knew about the text message he had received, and then based their explanation of what was happening around that, I think it's reasonable this made it seem believable to Mr T.

When the scammer suggested Mr T send the money to a new account they had set up for him, they explained they had set the account up under an alias to try to stop the fraudsters being able to follow the money. So while Mr T was asked to send money to a new account that wasn't in his name, I think he was given a seemingly plausible explanation for this.

And while Mr T was told to lie to Monzo about the reasons for the payments, his call records show he had been on the phone with the scammer for more than an hour by that point. And as I think the initial parts of the call will have felt genuine, I think it's reasonable that Mr T was convinced the call was genuine at that point. The scammer said the fraudsters might be able to follow the money if he told Monzo the truth, so gave him a plausible explanation of why he needed to lie. The scammer also talked him through the screens that would appear and the questions Monzo would ask, so it would have seemed like they knew what they were

talking about. And the scammer was on the phone with Mr T the whole time, coaching him through his answers, which will have made it more difficult for Mr T to stop and think about what was happening.

The scammer also told Mr T they couldn't keep the fraudsters at bay for long, and so he needed to make the payments as quickly as he could. And I think it's reasonable that this will have made Mr T feel under time pressure and so less able to question what was happening.

With the benefit of hindsight, it's possible to identify a number of red flags about what was happening that should have caused Mr T some concern, particularly that he was told to lie to Monzo when it contacted him to ask about the payments he was making. But based on what he's told us I don't think it was unreasonable that, in the moment, Mr T either didn't pick up on these issues or they didn't cause him enough concern to overcome the parts of what was happening that did feel genuine.

So I don't think Monzo has established that Mr T made the payments without a reasonable basis for belief that they were genuine.

I therefore don't think Monzo has established that any of the exclusions to reimbursement under the CRM code apply here. And so, under the CRM code, I think Monzo should refund the money Mr T lost as a result of this scam.

### **My final decision**

For the reasons set out above, I uphold this complaint and require Monzo Bank Ltd to:

- Refund Mr T the £2,050 he lost as a result of this scam, less the £41.75 already recovered – for a total of £2,008.25
- Pay 8% simple interest on this refund, from the date it initially rejected his claim until the date of settlement

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 26 April 2023.

Alan Millward  
**Ombudsman**