

The complaint

Mrs S is unhappy that Monzo Bank Ltd won't refund the money she's lost to a scam.

What's happened?

In January 2022, Mrs S applied for a £2,500 loan from a company I'll refer to as 'F'. F approved Mrs S' loan application, and she went on to make the following payments to F from her Monzo account in support of the application ('the payments') (other fees were paid from other bank accounts too, including a £200 payment for insurance purposes which was made prior to the payments listed below).

Date of payment	Amount of payment	Reason for payment
19 January 2022	£250	To improve Mrs S' credit score (refundable)
19 January 2022	£250	Tax due on the loan
19 January 2022	£300	Document charges/preparing affidavit/stamp papers (refundable)
21 January 2022	£350	Bank transfer fee payable in respect of transfer of loan funds (refundable)

Mrs S has explained that she believed she was dealing with a genuine loan company when she made the payments and had no reason to doubt F's legitimacy. F appeared to have sophisticated knowledge of unsecured loans and sent her correspondence that looked professional and assured her. She only realised she'd been scammed when F ceased contact with her, and she didn't receive the loan funds or the promised fee refunds.

Mrs S raised a fraud claim with Monzo. She's explained that she didn't receive any warnings for transactions which were out of character and the bank should've been aware that she's vulnerable because English isn't her first language, and she is experiencing financial difficulties.

Monzo couldn't recover Mrs S' money from the receiving accounts and it declined to reimburse her under the Lending Standards Board's Contingent Reimbursement Model ('CRM Code') because it found that she made the payments without a reasonable basis for belief.

What did our investigator say?

Our investigator didn't think it was unfair of Monzo to decline to reimburse Mrs S under the CRM Code.

Mrs S asked for an ombudsman's 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.

Monzo isn't yet a signatory of the CRM Code, but it's allowed us to apply the Code's principles to complaints we consider against it which meet the relevant criteria.

In summary, the CRM Code says that a customer who was vulnerable when they made an Authorised Push Payment ('APP') scam payment should receive a full refund of that payment, regardless of whether the firm knew about the customer's vulnerability before the scam took place. The CRM Code states that:

"A Customer is vulnerable to APP scams if it would not be reasonable to expect that Customer to have protected themselves, at the time of becoming victim of an APP scam, against that particular APP scam, to the extent of the impact they suffered."

Mrs S has said that English isn't her first language, and she is experiencing financial difficulties. I've thought about what she's said in the context of the CRM Code, and I'm not persuaded that she couldn't reasonably be expected to have protected herself from the scam because of those vulnerabilities or that they should've affected her decision-making capacity.

Nevertheless, the CRM Code requires firms to reimburse customers who have been the victims of APP scams, like the one Mrs S has fallen victim to, in all but a limited number of circumstances. Monzo has argued that one of the exceptions applies in this case. It says that Mrs S made the payments without a reasonable basis for belief that the payee was the person she was expecting to pay, the payments were for genuine goods or services and/or the business or person she was transacting with was legitimate.

In thinking about whether Mrs S had a reasonable basis for belief, I've considered what steps she took to reassure herself about the legitimacy of the transactions, and whether it was reasonable for her to proceed with the payments. I've noted that:

- Mrs S didn't receive any loan documentation.
- Mrs S doesn't appear to have carried out any checks on F.
- F is not an FCA-authorised firm.
- F's website is not fully functioning.
- The text messages Mrs S received from F do not look professional – they contain errors and do not address Mrs S by name.
- It is not usual practice for a genuine loan provider to request payments in order to receive lending. Mrs S was asked to pay F £1,500 to receive a £2,500 loan, for dubious reasons, and I think this should reasonably have alerted her to the possibility that something was amiss.

- The payments went to accounts in the names of individuals, rather than an account held by F.

Overall, I don't think I can reasonably conclude that Mrs S had a reasonable basis for belief on this occasion. So, I'm not persuaded that Monzo should have reimbursed Mrs S' loss because of any obligation under the CRM Code.

Given the nature and value of the payments, I wouldn't have expected the bank to have identified an APP scam risk. I appreciate that the payments were the highest value transactions on Mrs S' account in recent times, but I still don't think they stood out as particularly unusual in consideration of normal account activity, and there's nothing else about the payments that I think is suspicious enough that the bank ought to have intervened. So, I'm not persuaded that Monzo ought to have taken any further action to prevent the scam.

I've seen that Monzo didn't contact the receiving bank as quickly as I think it ought to have done after Mrs S reported the APP scam but, even if it had, there would've been no funds left in the beneficiary accounts to recover. So, I don't think it would be fair or reasonable to require Monzo to reimburse some or all of Mrs S' loss on this basis.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

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

Kyley Hanson
Ombudsman