

The complaint

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

What happened

In October 2021, Mr D lost just over £9,800 to a scam. Mr D initially provided us with a list of payments which totalled over £11,000. However, having reviewed his bank statements, I can see that two of the payments weren’t successful and were recredited to his account.

Mr D was contacted by someone (who I’ll refer to as J) who said they worked for a luxury goods chain (who I’ll refer to as F) as a personal shopper. They told Mr D there was a sale on which meant he could save 50% on goods he purchased through them for a limited time.

Mr D says he was satisfied J was a personal shopper for F because:

- Mr D contacted F who confirmed that J worked for them and could sell their merchandise.
- J had profiles on social media sites and business networking sites which confirmed his employment as a personal shopper for F.
- Mr D had seen J working in one of F’s stores and talked to a staff member who also worked for F who confirmed J’s employment.
- J had sent all his credentials including identification documents, discount codes and bank statements.
- Associates who worked in the same industry as Mr D had successfully used J to purchase goods from F.

Mr D made the payments to three separate payee names and says he questioned J about this. The payee name on most of the payments was J’s, however J said he was having some trouble with his account due to the volume of payments he was receiving. So, he gave Mr D the name and account details of another personal shopper who also worked at F, for one of the payments. J then asked Mr D to make the last two payments to an account he says was held by his father. Mr D says he found J’s explanation believable as he knew many other people were also using J to buy goods.

When the goods didn’t arrive from F, Mr D realised he’d been the victim of a scam. Ultimately, J was arrested by the police in relation to fraudulent activity.

Mr D raised a fraud claim with Monzo in November 2021, a few days after he made the last payment. Monzo considered his claim under the Contingent Reimbursement Model Code (CRM Code) but declined to refund him saying he didn’t take enough steps to check the legitimacy of J. Monzo also confirmed that no funds could be recovered from the beneficiary banks Mr D had sent his money to.

Mr D wasn’t happy with Monzo’s response, so he brought a complaint to this service.

An investigator looked into Mr D's complaint and partially upheld it. They felt Mr D didn't have a reasonable basis for believing that the person he was paying was legitimate. However, they felt Monzo should've provided an effective warning when Mr D made a payment of just over £3,600. On that basis, the investigator recommended that Monzo refund 50% of that payment and pay interest at 8% simple on the refund.

While Mr D accepted the investigator's opinion, Monzo didn't. They asked for an ombudsman to review the case and asked us to take into consideration that the warning they showed Mr D was as specific as they could possibly make it, saying they're unable to tailor each in-app warning for every individual situation. They also provided additional evidence which showed how long Mr D spent on each of the warning screens before moving onto the next step of the process.

My provisional decision

On 5 May 2023, I issued a provisional decision explaining I was intending to reach a different outcome than the investigator and wanted to give both parties a chance to respond before I issue a final decision.

In my provisional decision I said:

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 (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 ignored what the CRM Code refers to as an "Effective Warning" by failing to take appropriate action in response to such an effective warning.
- 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'm not satisfied that Monzo can rely on either exception to reimbursement, I'll explain why.

The warning that Monzo says Mr D would've seen included the following wording:

Remember

X Bank transfers arranged online or over social media are at a higher risk of fraud.

X Bank transfers aren't protected in the same way as card payments.

Pay by card if you can

You might not be able to get your money back if this does turn out to be a scam. Find a legitimate seller who lets you pay by card.

However, I'm not satisfied that this meets the definition of an "effective warning" as set out in the CRM Code. I say this because it doesn't identify what steps Mr D could take to ensure

the seller was legitimate or bring to life the circumstances of the scam Mr D was the victim of. Also, the way it's worded suggests that while bank transfers aren't protected in the same way as card payments, they still provide some protection. I also think it's important in this case that Mr D was making purchases using a personal shopper who would be buying the items from a merchant and acting as a middleman. In this situation I don't think it's as unusual for Mr D to be asked to pay via bank transfer. There's nothing to suggest that the personal shopper was a "merchant" or had a card terminal whereby card payment would've been an option.

So, I'm not satisfied that the warning was specific or impactful in the circumstances of this case. On that basis, I'm not satisfied that Monzo can rely on the exception in relation to effective warnings.

Moving onto the second exception to reimbursement, I'm also not satisfied that Monzo can fairly say Mr D didn't have a reasonable basis for believing J was legitimate or that he wasn't selling genuine goods.

Mr D completed substantial checks to make sure J worked for F. This included: calling F directly to confirm J's employment; seeing J working in one of F's stores; and talking to another employee of F who confirmed J's employment. Also, I think it was persuasive that other associates in Mr D's industry had previously successfully purchased goods through J from F. While the discount of 50% may've seemed high, J told Mr D it was only for a limited time, and I'm not persuaded that this alone was concerning enough that Mr D should've doubted the legitimacy of either the seller or the goods.

Having carefully considered the points that Monzo made, I wasn't satisfied they could fairly rely on either of the exceptions to reimbursement. On that basis, I recommended they fully refund Mr D for all of the transactions and pay interest on that refund at 8% simple, calculated from the date they declined his claim under the CRM Code until the date of settlement.

Responses to my provisional decision

Mr D accepted my provisional decision. However, Monzo didn't respond, despite us chasing for their response on 22 May 2023.

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.

As neither party has provided me any new information or evidence, I see no reason to reach a different conclusion to the one I reached in my provisional decision. On that basis, I uphold this complaint for the reasons I set out above in my provisional decision.

Putting things right

To put things right Monzo Bank Ltd should refund 100% of the payments Mr D made (being £9,817.10) and pay interest on the refund at 8% simple, calculated from the date they declined the claim under the CRM Code until the date of settlement.

My final decision

My final decision is that I uphold this complaint against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 28 June 2023.

Lisa Lowe
Ombudsman