

The complaint

Ms C complains that Monzo Bank Ltd won't refund the money she lost when she was the victim of a scam.

What happened

In November 2021, Ms C received a message through an instant messaging app from someone who referred to her as "Mum" and said their phone had been damaged so they had a new number. Ms C assumed the message was from her daughter, so replied. After a short conversation, the messages said they had an invoice that needed to be paid today and asked Ms C if she could pay it for them. As Ms C believed the messages were from her daughter, she made a payment to the account details in the messages. Ms C then also made two further payments to the details the messages gave her. I've set out the payments Ms C made below:

Date	Amount
30 November 2021	£1,520
30 November 2021	£1,450
30 November 2021	£1,960

Unfortunately, we now know the messages were coming from a scammer.

The scam was uncovered the following day when Ms C's actual daughter messaged her. Ms C asked her if her phone had been fixed, but her daughter didn't know anything about this and so Ms C realised she had been the victim of a scam. She then reported the payments to Monzo and asked it to refund the money she had lost.

Monzo investigated but said it didn't think Ms C had taken enough steps to check who she was paying and what for. It said it had followed all the correct procedures and acted in line with its regulatory requirements. So it didn't agree to refund the money Ms C had lost. Ms C wasn't satisfied with Monzo's response, so referred a complaint to our service.

I sent Ms C and Monzo a provisional decision on 21 April 2023, setting out why I was intending to uphold this complaint. An extract from my provisional decision is set out below:

"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 Ms C 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 Ms C 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 a copy of the warning Ms C was shown before she made the payments, which said:

"Stop, don't pay. It's very likely this is a scam.

Remember:

- *Monzo will never call you without arranging by email or in-app chat first*
- *Other banks will never ask you to move money out of your Monzo account*

Check with your bank

Call your bank from the number on the back of your card For Monzo: 0800 802 1281."

But the risks this warning mentions are in relation to a scam where someone is asked to move money to a 'safe' account because their own account is at risk, and so aren't relevant to the type of impersonation scam Ms C was the victim of. The warning doesn't mention what an impersonation scam could look or feel like, with a scammer pretending to be someone the victim knows before asking for money. And the warning doesn't explain the seriousness of the potential consequences of sending money to a scammer, or give details of any steps a customer could take to avoid an impersonation scam.

So I don't think the warning Ms C was shown was specific or impactful enough to be effective in her circumstances. And so I also don't think Monzo has established that Ms C ignored an effective warning in relation to the payments she made.

Did Ms C have a reasonable basis for belief when making the payments?

These types of scams are particularly cruel and play on the trust and emotive nature of the relationship between a parent and their child. The initial message Ms C received referred to her as "Mum" and the instant messaging app the message was received through is the way

Ms C usually communicates with her daughter. So I don't think it was unreasonable for her to assume the message came from her daughter.

The messages Ms C received then mentioned how the broken phone might be repaired, that the phone was insured, and asked about how she was doing before asking if she could make a payment. So there was a reasonable amount of conversation before making payments was discussed and I don't think the subject of the payments would have felt forced or unnatural. I've also seen some examples of genuine messages Ms C received from her daughter, and the messages from the scammer use emojis in a similar way. So I don't think the tone or pattern of the messages were different enough that they should have suggested to Ms C that they weren't coming from her daughter.

Ms C has also said that her daughter has to manage accounts and deal with invoices as part of her job. So when the scammer mentioned needing to pay an invoice, this seemed plausible to her and fitted in with what she knew about her daughter's work. And I don't think it's unreasonable that this reinforced to Ms C that she was genuinely messaging her daughter.

And so I think it was reasonable that Ms C believed the messages were coming from her daughter. And as she's said she then thought her daughter had an urgent problem, I also think it's reasonable that she wanted to do what she could to help her daughter out.

I think that there were some things about the situation which should have caused Ms C some concern – particularly that she was asked to make a number of payments to an individual she didn't know and that, according to what she had assumed, she was being asked to use her own money to cover the debts of her daughter's employer. But I don't think these concerns were significant enough to overcome her initial trust that she was speaking to her daughter and her desire to help her. And I don't think they were significant enough to say that Ms C acted unreasonably in not carrying out any further checks and in still believing she was speaking to her daughter.

The messages also said the amounts had to be paid today and that they would increase if they weren't paid today, so Ms C was put under time pressure to make the payments quickly. And the three payments were all made in just over two hours after the initial message Ms C received from the scammer, so there wasn't a significant period of time for her to stop and think about what was happening.

I also don't think the warning message Ms C was shown should have caused her significant concern as, for the same reasons I've explained above, I don't think they will have seemed relevant to her circumstances.

So I don't think Monzo has established that Ms C didn't have a reasonable basis for belief when she made the payments.

Overall then, I don't think Monzo has established that any of the exclusions to reimbursement under the CRM code apply here. So I think Monzo should refund the money Ms C lost in full, under the terms of the CRM code."

I said I'd consider anything further Ms C and Monzo sent in following the provisional 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.

Both Ms C and Monzo responded to the provisional decision saying they accepted the outcome. And as neither Ms C nor Monzo provided any further evidence or arguments, I still think the conclusions I set out in the provisional decision are correct, and for the same reasons.

So I don't think Monzo has established that any of the exclusions to reimbursement under the CRM code apply here. And I think Monzo should refund the money Ms C lost in full, under the terms of the CRM code.

My final decision

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

- Refund Ms C the £4,930 she lost as a result of this scam
- Pay 8% simple interest on this refund, from the date it initially declined her claim until the date of settlement

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 29 June 2023.

Alan Millward
Ombudsman