

The complaint

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

What happened

In August 2022, Mr K was looking to renew his car insurance. He wasn't happy with any of the quotes he found online, but he then received a phone call from someone who said they were from a major insurance company and could offer him a better price. The caller offered Mr K a couple of different prices, one of which he was happy with. So Mr K then made a payment from his Monzo account to the bank account details the caller gave him. Unfortunately we now know the caller was a scammer.

When he didn't receive any confirmation or details of the policy after making the payment, Mr K called the scammer back but didn't get a response. So Mr K then reported the payment to Monzo as a scam and asked it to refund the money he had lost.

Monzo investigated but said it didn't think Mr K had taken reasonable steps to check who he was paying, so it didn't agree to refund the money he had lost. It also said it had contacted the bank the money was sent to but hadn't received a response. Mr K wasn't satisfied with Monzo's response, so referred a complaint to our service.

I sent Mr K and Monzo a provisional decision on 12 May 2023, setting out why I wasn't intending to uphold this complaint. An extract from my provisional decision is set out below:

"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 K 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 K have a reasonable basis for belief when making the payment?

Monzo's main argument for not refunding the money Mr K lost has been that he didn't take reasonable steps to check who he was paying and ignored a number of red-flags about what he was told, and so he didn't have a reasonable basis for belief that the person he was paying was legitimate. So I've considered that here.

Mr K received a phone call from someone saying they worked for an insurance company, and he says he believed they were genuine as they knew his name and that his insurance was due to renew soon. And while I don't think it was necessarily unreasonable for him to believe this, as he had been looking online for car insurance recently, I also don't think the caller was particularly convincing here or had any personal information about him that would have been particularly difficult to find out.

Apart from a screenshot they sent him of a letter with the company's logo on it, the caller doesn't appear to have offered Mr K any proof that they worked for the insurance company – for example, the phone number they called him from is not one that is connected to the insurance company. And the letter in the screenshot Mr K was sent had some text in focus but some text out of focus, some text in different fonts to other text and some text in different colours to the other text. So I don't think this letter looked very convincing and I think it should have caused Mr K some concern about what he was being told and to question whether the person he was speaking to was genuine.

Mr K was also told the caller didn't have access to their emails or a printer, and so could only send him a screenshot of his policy cover letter. But I don't think it's plausible that an employee of a company as large as the insurance company the caller said they worked for wouldn't be able to email or print off a letter, or would have to send screenshots of policy documents via an instant messaging app instead. So I think this should have caused Mr K significant concern about whether the person he was speaking to was genuine.

The payment details the caller gave Mr K were also for a personal account in the name of someone he didn't know, rather than for a business account. Mr K says he asked about this and was told the account was in the name of the insurance company's accountant. But I think it's very unusual for a large company to ask a customer to make a payment directly into a personal account in the name of one of its employees, rather than into a business account in the company's name. So I think this should also have caused Mr K significant concern about what he was being asked to do and whether the person he was speaking to was genuine.

I appreciate that the caller had some information about Mr K and sounded professional and that they knew what they were talking about. But, overall, I think there were a number of things about what Mr K was told or was asked to do that should have caused him significant concern. And I don't think the parts of the call that seemed genuine or the information he was given by the scammers should have been enough to overcome those concerns.

So I think Monzo has established that Mr K didn't have a reasonable basis for belief when he made the payment. And so it has established that one of the exceptions to reimbursement under the CRM code applies here, and it does not have to refund Mr K all of the money he lost.

Did Monzo meet its obligations under the CRM code?

Even though I don't think Mr K had a reasonable basis for belief when making the payment, he may still be entitled to a refund of some of the money he lost if Monzo didn't meet its

obligations under the CRM code – one of which is to provide effective warnings when it identifies a scam risk.

But this payment wasn't for a particularly large amount and didn't leave the balance of Mr K's account at a particularly unusual level. So I don't think Monzo ought to have identified a scam risk here or was required to provide an effective warning before Mr K made this payment. So I don't think Monzo has failed to meet its obligations under the CRM code.

Did Monzo do enough to try to recover the money Mr K lost?

We expect banks to take reasonable steps to try to recover the money their customers have lost, once they are made aware of a scam.

Monzo says it contacted the bank the money was sent to, to try to recover the money Mr K had lost, but it hasn't received a response. And from what I've seen of Monzo's records, I think it contacted the bank the money was sent to within a reasonable amount of time and has done all we'd expect it to do to try to recover the money. So I won't be asking it to do anything further."

I said I'd consider anything further Mr K and Monzo sent in following the provisional decision, provided it was received by the deadline given.

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 responded to the provisional decision saying it agreed with the outcome and didn't have anything further to add.

Mr K responded to the provisional decision asking for the case to be looked at again, and providing screenshots of the payment he had made, the policy cover letter he had been sent and the account details the payment had been sent to.

I appreciate how Mr K feels about this case, but I don't think any of the screenshots he has sent us in response to the provisional decision changes my opinion on the outcome here. He had previously sent us a screenshot of the policy cover letter he was sent. And we had also previously been sent evidence of how the payment was made and the account details it was sent to. So I had already considered this information when coming to my provisional decision.

As Mr K hasn't sent us any new information or arguments, I still think the conclusions I reached in my provisional decision are correct, and for the same reasons.

I still don't think Mr K had a reasonable basis for belief when making the payment. And I don't think Monzo has failed to meet its obligations under the CRM code. So I don't think Monzo is required to refund the money Mr K lost as a result of this scam.

My final decision

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 11 July 2023.

Alan Millward
Ombudsman