

The complaint

Mr G complains that Monzo Bank Ltd ('Monzo') won't refund the money he lost in a scam.

What happened

Mr G is represented in this case but to make things clearer I'll refer to Mr G throughout this decision.

Mr G says that a friend of his recommended an airline I'll refer to as E to book flights to Africa. E is a genuine airline. He looked on E's website and at reviews of E and provided his contact details. Mr G then received a call from someone he believed to be an agent of E ([E] Tickets office). I'll refer to the agent in this decision as T. After the call, Mr G received messages from T via a messaging app. The messages showed E's logo but were sent by T and included links that used E's name.

Mr G communicated with T about flights for three adults and two children and was provided with flight pre-booking information showing flights had been reserved and the names of those travelling. The messages Mr G was sent said that tickets must be paid for within 24 hours of booking, or they would be cancelled. The cost of the flights was discussed, and Mr G was asked to make the following payments:

Date	Amount	Recipient
06/08/22	£500	1
06/08/22	£500	1
06/08/22	£1,000	2
06/08/22	£1,000	2
06/08/22	£1,000	2
06/08/22	£445	2
Total	£4,445	

Mr G says that T told him that as it was the weekend, payee 1's account reached its limit and so the remaining funds needed to be paid to a different account. Payee 1 and payee 2 were not E or T – but payee 1's name was related to E and payee 2's name related to tickets. Mr G was told he needed to pay in instalments as T's account couldn't accept large payments. Mr G thought this was plausible because he has an account with another bank that stops larger payments. Mr G was also told that it wasn't possible to pay by card.

Mr G didn't receive the tickets as expected. He was initially told this was because he made the transfers over the weekend and then that one of his £500 payments hadn't been received. T then stopped communicating with Mr G and he raised a scam claim.

Monzo isn't a signatory of the Lending Standards Board Contingent Reimbursement Model CRM Code (the CRM Code) but has explained that it is committed to applying the principles

set out in it. The CRM Code requires firms to reimburse customers who have been the victims of APP scams in all but a limited number of circumstances. Monzo says one or more of those exceptions applies in this case. It says Mr G made the payment without having a reasonable basis for believing it was a genuine payment. Monzo says Mr G ought to have done more checks to make sure the payee was legitimate.

Mr G was unhappy with Monzo's response and brought a complaint to this service.

Our investigation so far

The investigator who considered this complaint didn't recommend that it be upheld. She said that Mr G didn't have a reasonable basis to believe that E was a genuine airline because:

- The scammer communicated with Mr G via a social media messaging app.
- The spelling and grammar used in the messages was poor and unprofessional and the scammer wasn't knowledgeable.
- Mr G was told to make smaller payments to two different accounts because Monzo couldn't handle large transactions but knew this not to be true - as he paid £2,945 into his account on the day of the scam.
- Mr G relied on what the scammer told him without completing any checks – if he'd have looked at E's website, he'd have seen it was a scam. The website showed that E communicated with some customers via the messaging service, but not customers in the UK.
- The scammer told Mr G E's address was different to the one displayed on its website.

Mr G didn't agree with the investigator's view. In summary, he said:

- He first made contact through E's website and received a return call when he was told he'd be contacted by someone from customer relations. He then received messages from the messaging app. In any event, many legitimate companies, including E, use the messaging app. Other agencies Mr G had used in the past also communicated in this way.
- Mr G didn't notice poor spelling and grammar in the messages. And airlines with international reach employ people who aren't native English speakers, so Mr G had no reason to be concerned.
- Mr G was told E's card payment system wasn't working. He didn't think it was unusual that E's bank didn't accept large payments as he was aware there could be problems with them.
- Mr G asked about E's address and was given a branch address to use for future. He knew the address given wasn't E's main address.
- There were many factors that made this scam convincing including the fact the scammers faked a real airline so reviews related to that airline, the names of both payee companies wouldn't cause concern. The price was reasonable, Mr G received a recommendation from a friend, the scammers were knowledgeable, and Mr G received invoices as he'd expect.

The complaint was passed to me to consider, and I issued my provisional decision on 22 May 2023. In my provisional decision I said:

In deciding what's fair and reasonable in all 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.

When thinking about what is fair and reasonable in this case, I've considered whether Monzo should have reimbursed Mr G under the provisions of the CRM Code and whether it ought to have done more to protect Mr G from the possibility of financial harm from fraud.

There's no dispute here that Mr G was tricked into making the payments. But this isn't enough for Mr G to receive a refund of the money under the CRM Code. 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 services; and/or the person or business with whom they transacted was legitimate*

There are further exceptions outlined in the CRM Code that do not apply to this case.

Taking into account all of the circumstances of this case, including the characteristics of Mr G and the complexity of the scam, I think the concerns Monzo has raised about the legitimacy of the transactions Mr G made are enough to support its position that it can rely on an exception to reimbursement set out in the CRM Code. I don't think he had a reasonable basis for believing that the person he transacted with was legitimate. I should say that it's the combination of these factors that lead me to believe Mr G didn't have a reasonable basis for belief and that none of them can be considered alone.

- Mr G dealt with various different parties believing they were all linked. But I don't consider he acted reasonably in doing so. If Mr G thought he was booking flights with E, I find it hard to understand why he then received a call and messages from T. Mr G did no research into T and appears to have assumed T was an agent of E.*
- A large airline like E would accept card payments and so I think Mr G ought reasonably to have considered it strange that he was told he couldn't pay using this method – which offers protection when things go wrong.*
- Mr G paid two different companies, neither of which were E (or T). I think Mr G ought reasonably to have had concerns about why a large airline like E would ask him to pay accounts not in E's name. I also don't find the explanation given to Mr G (that it was the weekend and the first account had reached its limit) was plausible. An airline like E takes huge sums of money daily and has the capacity to do so.*
- Mr G says the cost of the flights were reasonable and in line with what he expected. But I note the tickets Mr G thought he'd reserved were for business class seats not economy seats. Taking this into account, I consider the tickets were being sold at a price that wasn't realistic.*
- The email Mr G received that was signed by a senior sales consultant from E was from a disposable temporary email address, which ought reasonably to have caused concern.*
- Although I accept that some businesses use the social messaging app used by T and that the grammar isn't always as good as it could be, I'm not persuaded the messages Mr G received were professional. Mr G received messages that said things like, "I told you make £989" and four consecutive messages that said, "Make rest", "£3,000 received", "£800 make" and "hello". I'm not persuaded a business like E would communicate in this way and think Mr G ought to have had concerns.*
- Although Mr G says he received an invoice I haven't seen one. When I asked for an invoice, I was provided with booking reservations and a booking confirmation email (from a temporary and disposable address that I referred to earlier). I'd expect to see an invoice from E showing a cost breakdown and other details and consider that Mr*

G ought reasonably to have had concerns about making the payments based only on messages that set out the cost of a ticket for an adult and a child.

Overall, I don't consider Mr G had a reasonable basis for believing he was dealing with and paying E or an authorised agent of E.

Should Monzo have done more to try to prevent the scam and protect Mr G?

The CRM Code says that where firms identify authorised push payment scam risks in a payment journey, they should take reasonable steps to provide Effective Warnings to their customers.

In the particular circumstances of this case, I don't think Monzo should've provided Mr G with effective warnings when he made the earlier payments as they were relatively low value payments and in keeping with previous account use. But by the time Mr G made the third payment of £1,000, a pattern of potentially fraudulent transactions had emerged, and I consider Monzo ought reasonably to have identified a risk and provided an effective warning. It was Mr G's fifth payment of the day to a second new payee and took the total amount paid to the second payee to £3,000. Monzo will be aware that scammers often ask victims to make multiple payments like this.

Monzo has explained that it provided Mr G with new payee warnings when he made the first payment to each new payee and also what it describes as a low friction warning. No warning was provided when Mr G made the third £1,000 payment (or the subsequent payment) so it follows that Monzo didn't provide effective warnings when I consider it should have. For completeness, even if Monzo had provided its low friction warning when the third £1,000 payment was made I wouldn't conclude the warning was effective. So, I'm provisionally minded to direct Monzo to refund Mr G 50% of the final two payments

Recovery

Mr G first contacted Monzo on 8 August 2022 but at this stage said he didn't know if he was a scam victim and had been told tickets would be sent. He was asked if he wished to raise a scam claim then or wait until 6pm to see if the tickets arrived. Mr G updated Monzo to say he was waiting for the tickets and on the evening of 9 August Monzo asked Mr G if he thought he was dealing with a genuine company. Mr G then decided he wanted Monzo to contact the banks that received his funds. Monzo set out some questions late that evening that Mr G answered early in the morning on 10 August. Once Monzo had gathered the information it sent the information to its disputes team and this team reached out to the receiving firms. So although Mr G first contacted Monzo on 8 August, this isn't when he raised a scam claim.

I've seen evidence which shows that Monzo contacted the two firms that received Mr G's funds promptly once the scam claim was raised. Payee two in the table above confirmed that no funds remained to return to Mr G. Payee one hasn't provided a full response to Monzo or to this service when we've made contact to find out exactly when funds left the account. But given that the payments to payee one were made before those to payee two, I consider it more likely than not that when the scam claim was raised the funds had been removed. Scammers usually move funds on immediately to avoid the risk of them being returned to the sender.

Overall, whilst I realise Mr G will be disappointed with my provisional findings, I can't fairly ask Monzo to refund more than half of the last two payments plus interest as set out below.

Monzo accepted my provisional decision. Mr G's representative let me know that Mr G accepted my provisional decision but still wanted to submit his comments. In summary, Mr G said:

- He's been scammed so should receive a full refund plus interest.*
- Monzo should have identified the scam and stopped the payments from being made.*

- The customer service provided by Monzo was poor.

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 both parties have accepted my provisional decision (reproduced above) I see no reason to depart from it. I will make a few comments on Mr G's response to my provisional decision though.

Whilst I fully accept that Mr G has been the victim of a scam this doesn't automatically mean that Monzo should refund his loss. I explained in my provisional decision that a bank may choose not to reimburse a scam victim in certain circumstances. I think Monzo has fairly relied on an exception to reimbursement because, for the reasons set out in my provisional decision, I don't consider Mr G had a reasonable basis to believe he was buying genuine tickets from a legitimate agent.

I'm uncertain on what basis Mr G thinks Monzo should have identified that he was being scammed at the time he made the payments. I can't see there was anything unusual that Monzo should have picked up on until Mr G made the third payment of £1,000 when a potentially fraudulent pattern of transactions emerged. The early payments were relatively low in value and were in line with normal account use. I also don't think the service provided by Monzo was poor. Monzo kept in contact with Mr G via its chat and communicated its decision on his case within a reasonable timeframe.

My final decision

I require Monzo Bank Ltd to:

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

Jay Hadfield
Ombudsman