

## The complaint

Mr A complains that Monzo Bank Ltd hasn't refunded him after he fell victim to an investment scam.

Mr A is represented by a claims management company I'll call R.

## What happened

I issued a provisional decision (PD) for this complaint on 6 September 2023. In it I set out the background to the complaint, along with the outcome I intended to reach. I've copied the content of that PD below *in italics* for reference. I'll then go on to set out what each party has said in response to the PD.

*Mr A invested money into a company that I'll refer to as M. M had connections to other companies too, but for the sake of clarity I'll refer only to M in this decision.*

*Mr A believed he was investing on the basis his money would be used to purchase telecoms equipment at a discount, to then be sold on at a profit. Mr A didn't know at the time, but he was caught up in a Ponzi or pyramid scheme.*

*He sent £1,000 from one of his accounts held with a different bank on 5 October 2020. He then sent a further £7,000 from his Monzo account on 6 October 2020.*

*This service is broadly aware of the scam Mr A fell victim to. He was far from the only person to be drawn into the scam and, sadly, this service has seen numerous complaints from different victims. We know investors were promised attractive returns and that there was a genuine looking app which could be downloaded to monitor investments. The scheme continued for some time, with some 'investors' actually receiving money back, as might be expected of a Ponzi/pyramid scheme.*

*R has said Mr A was introduced to M and the investment opportunity by a friend, who showed him returns he'd received and graphs reflecting investment performance. It's also said Mr A checked M's profiles on eBay and Amazon and could see there were no concerns.*

*R has also said how the investments were described as 'halal' and that the person behind M was a well-respected member of a mosque. So there appear to have been elements of the scam designed to appeal to the cultural and religious beliefs of some victims.*

*Mr A realised he'd fallen victim to a scam when he couldn't retrieve any funds from his account held with M. He contacted Monzo to tell it he'd been scammed. And around the same time, he engaged the services of R to represent him.*

*There then appears to have been something of a breakdown in communication between the parties and there was little progress with Mr A's scam claim. But Monzo did ultimately issue a final response letter on 12 January 2023. It declined Mr A's claim for reimbursement, having considered it under the principles of the CRM Code.*

*Monzo is not a signatory to the CRM Code, but it has agreed to assess scam claims in accordance with the principles of it. And in doing so it said that it wouldn't refund Mr A on the*

basis that it had provided him with what it considered ought to have been effective warnings at the time he made the payment to M.

Monzo further said that Mr A's claim was being declined as it didn't find he had carried out sufficient due diligence on M or the investment opportunity more broadly, and so he didn't have a reasonable basis for believing he was entering into a legitimate investment. It noted the points raised by R on this subject but said it hadn't been provided with sufficient information, or detail specific to Mr A.

R brought Mr A's complaint to this service where it was considered by one of our investigators. She recommended the complaint be upheld on the basis that:

- The warnings provided by Monzo didn't meet the standards for firms set out in the Code, meaning the exception to reimbursement didn't apply; and
- she felt Mr A held a reasonable basis for belief, considering what R had said about how Mr A was introduced to the investment opportunity with M and the checks he subsequently carried out.

Monzo disagreed and so the case was referred to me for a final decision. I've gone over the information and evidence provided to date, and have discussed the investigation and outcome with both Monzo and R. I told both parties that I intended to reach a different outcome to the investigator. In summary I said:

- I didn't believe Monzo could rely on the effective warnings exception for the same reasons as our investigator; and
- I didn't believe R had demonstrated Mr A held a reasonable basis of belief as it had failed to provide relevant information and evidence specific to Mr A. Instead, it had only provided generic information about the scam Mr A fell victim to.
- On that basis, liability ought to be shared between parties with Mr A receiving a partial refund, plus 8 % per year simple interest calculated from the date Monzo declined the claim until the date of settlement.

Monzo didn't agree to settle the case on that basis. I've given R the opportunity to provide specifics, but it has failed to do so within a reasonable timeframe. And so I'm proceeding to issue this decision.

### **What I've provisionally 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.

I'm upholding Mr A's complaint in part, as per my earlier discussions with Monzo and R. I've described above how I've already been over the outcome of this complaint with both parties. And so I'll only be covering the key findings and reasons behind them here.

A customer who has fallen victim to a scam should, under the CRM Code, be refunded in full in most circumstances. But the Code does set out exceptions to reimbursement which a business can choose to rely on, if it can evidence that they apply. Monzo has said that two such exceptions apply in Mr A's case. Monzo says that:

- Mr A ignored effective warnings presented to him at the time payment was made; and
- Mr A lacked a reasonable basis for believing he was dealing with legitimate parties for legitimate purposes.

It is then for me to decide whether these exceptions to reimbursement can be fairly relied

on.

*I'll say at this stage that I've no doubt that Mr A has been the innocent victim of a cruel scam. I'm satisfied the proposition offered by M was a fraudulent scheme and I've no doubt that*

*Mr A and many others have lost significant sums of money. But I need to consider the merits of Mr A's individual case, taking into account his specific circumstances.*

*Did Monzo present Mr A with effective warnings?*

*I'm not persuaded Monzo's warnings met the requirements of the Code, which are set out under standards for firms (SF). In making this assessment I'm mindful that Mr A was sending a significant sum of money to a new payee. And, from reviewing his account statements for more than a year previous, it was a significantly higher amount than he'd sent before. It also appears to be true, again from looking at the historical statements, that he rarely set up new payees on his account.*

*I mention these key features as together they present a picture of unusual activity on Mr A's account. And I'm satisfied this was enough to show Monzo that Mr A might be at risk of financial harm through fraud. It follows that it needed to intervene and provide Mr A with a warning that met the standards set out in the Code.*

*Having considered the warnings Mr A was presented with, I note there was no mention of investment scams. There is little within the warning that is specific to the scam Mr A fell victim to, or any other type of scam. It is a broad and generic warning, where the Code requires it to be specific. The scam isn't brought to life, so that Mr A might have otherwise identified key features of an investment scam and recognised them in the circumstances he was caught up in. This lack of specificity in turn diminishes the warning's impact.*

*It's also true that the warning does very little to educate Mr A on how he might have protected himself, a further requirement under SF.*

*Monzo has said there was a link to a blog post within the warning that, if followed, would have provided Mr A more detail. But I don't consider a link to a separate web page can be fairly said to be tied into Monzo meeting SF here. There was no requirement for Mr A to follow the link or read the blog post. And I've not been provided with evidence to suggest he did so.*

*Monzo has also said Mr A spent a long time looking at the warnings he was presented. The suggestion here from Monzo is that the warning must have resonated with him to a degree.*

*As far as I can see he spent 38 seconds moving through the screens from establishing the new payee to completing the payment. That doesn't seem to be a huge amount of time to me. And, in any case, the time spent by Mr A viewing the warnings doesn't make up for the failures to meet SF under the Code. And so I don't find this impacts the outcome in respect of the effective warnings exception.*

*Overall, I'm not persuaded Monzo has shown it provided effective warnings. That means it will bear at least some responsibility for the loss, and the exception to reimbursement can't fairly be relied upon.*

*Did Mr A hold a reasonable basis of belief when he made the payment?*

*For me to decide whether it is fair for Monzo to apply this exception to reimbursement I need to consider what actions Mr A took to satisfy himself M and the investment opportunity was legitimate, and whether those actions mean he held a reasonable basis for belief. But having considered all the evidence and information provided to date I'm unable to be as sure as I need to be that that is the case.*

*R hasn't been able to provide persuasive or specific detail about the steps Mr A took or why he was convinced all was legitimate. That is despite some direct questioning on this*

*subject, and the granting of extensions to provide the information. It is difficult to understand why it would be anything other than straightforward to obtain some of this information. For example, I specifically asked who it was that introduced Mr A to the opportunity and what*

*their relationship was. But R hasn't been able to provide this information. Nor has it been able to demonstrate that Mr A was shown successful withdrawals of returns on investment by anyone he knew.*

*It remains true that the information and evidence provided by R, whether at earlier stages in the complaint or following my more recent enquiries, has remained generic and not necessarily related to Mr A directly. There is a lot that's been described about how the scam operated generally, and some of the broadly known features about how people were drawn in. But that's not enough for me to put together a clear picture of what actions Mr A took or why he was reasonably persuaded to proceed.*

*This is broadly similar to Monzo's reasoning for declining Mr A's claim under the reasonable basis of belief exception of the Code. I note that position arose, at least in part, due to the apparent breakdown in communication I referred to earlier. I can understand why Monzo reached that position at the time. I find the exception still fairly applies now, even after further investigation and evidence gathering has been undertaken, with fair and reasonable opportunities and timescales to provide additional information having been granted.*

*This means that Monzo can apply the exception to reimbursement and Mr A can fairly and reasonably be held partly responsible for his loss.*

*The actions of the receiving bank*

*R also complained to the bank to which Mr A sent the payment. It is a signatory to the CRM Code and assessed Mr A's complaint with that in mind. In doing so it refunded a third of Mr A's loss, recognising partial liability on its part.*

### **My provisional decision**

*I intend to uphold this complaint in part.*

*I find that Monzo unfairly declined Mr A's claim under the Code in that it ought to have reimbursed some of his loss at the time it investigated.*

*Mr A has received a partial refund from the receiving bank, after it accepted liability. The Code sets out that when liability is shared by the sending bank, receiving bank, and customer, as it is here, each party should be responsible for a third of the loss. That means Monzo ought to:*

- *refund a third of Mr A's loss (£2,333.34); and*
- pay simple interest at 8% per year, calculated from the date Monzo declined the claim to the date of settlement.*

Monzo didn't respond to the PD.

R responded on Mr A's behalf having discussed the PD with him, and it sought to gather some further information. It provided me, in summary, with:

- The name of the person that introduced Mr A to the scam (I'll refer to them as Mr B) ;
- Emails it said Mr A was forwarded by Mr B over a course of several months, all relating to the supposed investment. It's said Mr A was encouraged by the

consistency of deals being offered, over a period of time.

R also said Mr B showed Mr A a spreadsheet of returns and explained how everything worked. It also commented again on some of the general features of the scam, including the persuasiveness of the website. And it highlighted that many people in a trusting community had been tricked by the scammers.

Overall, it still felt Mr A had held a reasonable basis of belief when he invested, and so ought to be refunded in full.

### **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.

I'm sorry to disappoint Mr A but my findings remain unchanged from my provisional decision. I'll explain why.

I said in my PD that this service had repeatedly asked for specific information and evidence. R recognised that this hadn't been provided when it responded to the PD. But I find the situation is little changed, even after R's further responses.

It's true R has been able to give the name of the person that introduced Mr A to the scam. But little additional evidence or information has been provided before that. To clarify:

- I'd asked to see any account statements that showed the returns Mr B had received, as it had been said that Mr A had seen these and that they were instrumental in him deciding to invest. No such statements have been provided, though Mr B has been described as a close friend of many years. So it seems this information ought reasonably have been obtainable.
- In R's more recent response it seems to have moved away from saying Mr A saw account statements, but instead saw spreadsheets showing Mr B's returns. I've not been provided with copies of such spreadsheets. Even if I were, these wouldn't confirm payments crediting a current account, and so would be significantly less persuasive in terms of establishing a reasonable basis for belief.
- R provided several emails sent from the scammers to Mr B. It said these had been forwarded to Mr A over a period of months before he decided to invest. But there's no evidence of that. The emails provided were clearly forwarded to Mr A by Mr B in August 2023; not at the time he made the payments to the scam.

Because of this, the issues highlighted in my PD, in terms of Mr A's reasonable basis for belief, still stand. I'm not then persuaded to alter my findings now that the final decision is being issued.

In reaching this outcome I have considered the impact of a close-knit and trusting community having been evidently caught up in this scam. And I can see why that would have been a contributing factor for Mr A when deciding to become involved. But I must take account his individual actions and considerations, rather than those of the people that he knew.

Overall, I'm persuaded the three parties involved (Mr A, Monzo, and the receiving bank) ought fairly share responsibility for the loss.

### **Putting things right**

I find that Monzo unfairly declined Mr A's claim under the Code in that it ought to have reimbursed some of his loss at the time it investigated.

Mr A has received a partial refund from the receiving bank, after it accepted liability. The Code sets out that when liability is shared by the sending bank, receiving bank, and customer, as it is here, each party should be responsible for a third of the loss. That means Monzo ought to:

- refund a third of Mr A's loss (£2,333.34); *and*
- pay simple interest at 8% per year, calculated from the date Monzo declined the claim to the date of settlement.

### **My final decision**

I uphold Mr A's complaint against Monzo Bank Ltd in part.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 27 October 2023.

Ben Murray  
**Ombudsman**