

The complaint

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

What happened

In late 2021, a friend of Mr M's introduced him to an app they had been using. The app allowed users to buy different packages of tasks – which were typically liking certain posts or videos on social media websites – and then to earn money by completing those tasks. Each completed task would earn the user a small payment, and more expensive packages of tasks would earn larger payments for each completed task. Mr M says his friend said they had been making money using the app, and the app looked legitimate, so he signed up and sent an initial payment of £100 to the bank details the company running the app gave him.

Mr M says he then saw this money show up in his account on the app, he could use this to buy packages of tasks, and the app showed the balance of his account increasing as he completed the tasks. And as both he and his friend appeared to be making money, he decided to keep going and so made a number of further payments to different bank details the company running the app gave him. I've set out the payments Mr M made below:

Date	Details	Amount
2 December 2021	1 st bank details	£100
2 December 2021	1 st bank details	£500
3 December 2021	1 st bank details	£100
23 December 2021	2 nd bank details	£300
26 December 2021	3 rd bank details	£556
27 December 2021	3 rd bank details	£500
27 December 2021	4 th bank details	£1,000
30 December 2021	5 th bank details	£1,000
8 January 2022	3 rd bank details	£1,000
10 January 2022	5 th bank details	£990

Unfortunately, we now know the app and the company running it were a scam.

The scam was uncovered when Mr M tried to log into the app one day but all the features had gone and the app just showed writing in a foreign language. The customer service for the company running the app also disappeared and any messages sent to them weren't read or replied to. Mr M then reported the payments he had made to Monzo as a scam and asked it to refund the money he had lost.

Monzo investigated but said it didn't think Mr M had done enough checks into who he was paying before making the payments. It also said it didn't have reasonable grounds to suspect the payments he made were suspicious and hadn't been able to recover any money from the bank the money was sent to. So it didn't agree to refund the money Mr M had lost. Mr M wasn't satisfied with Monzo's response, so referred a complaint to our service.

I sent Mr M and Monzo a provisional decision on 14 June 2023, setting out why I was intending to uphold this complaint in part. 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 M was the victim of, 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 M 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 it says Mr M was shown before making these payments. It says:

“You’re sending £[X] to someone we couldn’t verify

You may not be able to get your money back if this does turn out to be a scam.”

The warning then asks the customer to click to confirm that they understand this could be a scam, that they understand the advice and risks and that they are happy to continue.

And while this warning does mention the possible consequences of falling victim to a scam, it doesn’t go into detail about what any specific scams might look or feel like. And it doesn’t give any examples of how a customer could avoid or reduce the risk of falling victim to a scam. So I don’t think this warning was impactful or specific enough to be effective in Mr M’s circumstances.

And so I don’t think Monzo has established that Mr M ignored an effective warning in relation to any of the payments.

Did Mr M have a reasonable basis for belief when making the payments?

This was clearly a very sophisticated scam. The company running it had created an app that Mr M was able to download onto his phone and log-in through to view the balance of his account and the tasks available to him. He says the app looked professional and legitimate, and used the branding of a well-known social media platform, which made it seem genuine. And Mr M was recommended to join the app by a friend of his, who said they had been using it and making money.

So I think it was reasonable that Mr M initially thought the app was genuine, and I think he had a reasonable basis for belief when making the first payment of £100. But after this payment, I think Mr M should have had significant concerns about what he was being told and how the app worked.

Mr M has said the app showed the packages of tasks that were available and that more expensive packages would earn larger payments for each completed task. But he hasn't been able to explain how much money he was earning for each task he completed, or how much money he was earning in an average hour, day, or week. And without a clear understanding of how this worked, I don't think it was reasonable for him to pay significantly more money into the app.

Mr M also said the app showed the balance of his account increasing significantly and, just over three months after his first payment, showed his balance as more than three times the amount he had paid in. But based on what Mr M has said about what completing the tasks involved, this appears to be a very high return and I think Mr M should have had significant concerns about whether the results he was seeing were too good to be true.

Mr M has said he checked whether the company running the app was registered on Companies House, and the fact that it was registered made him more comfortable that this was legitimate. But the company running the app was only registered on Companies House around a month after Mr M made his last payment, so I don't think he can have checked this before making any of the payments. And so I haven't seen any evidence to show that Mr M carried out any checks into who the company was before making the payments.

When making the payments, Mr M was told to send the money to accounts in the names of different companies than the one he was told was running the app. And by the later payments, he'd been asked to send money to five different companies. Mr M says he assumed these companies were holding companies or parent companies of the company running the app. But I haven't seen anything to suggest this is the case, or that they are connected to the company running the app at all. And Mr M also says he checked all these companies on Companies House too. But one of the other companies he sent money to was showing as dissolved when he made the payment to them, so I don't think it's likely he did check this or this should have caused him significant concern. And, in any event, I think being asked to pay different companies than the one he thought he was dealing with should have caused Mr M some concern.

Mr M has also mentioned that he saw a number of other users posting in the app's group chat that they were having trouble withdrawing money, or that they hadn't received money they were owed. And even though he says the company running the app would often respond to these users, I think this should have caused him significant concern about whether the money he was supposedly making was real or whether he would be able to withdraw it himself. But he doesn't appear to have successfully withdrawn any money from the app, or even tried to do so, before making further payments into it.

Mr M also doesn't appear to have been given any paperwork or any form of contract for the work he was supposedly doing for the company running the app – which I also think should have caused him some concern about whether the app or the company was genuine.

While I think Mr M had a reasonable basis for belief when making the first payment of £100, after this I think there were a number of things about what he was being told which should have caused him significant concern. Mr M has also said he had concerns himself about whether the app was too good to be true and about people struggling to withdraw their money. And I don't think the parts of the app or the information he received that looked genuine should have been enough to overcome the concerns I have identified or the concerns he has admitted he had.

So I don't think Monzo has established that any of the exceptions to reimbursement under the CRM code apply to the first payment of £100 Mr M made, and so it should refund this payment in full. But I think Monzo has established that Mr M didn't have a reasonable basis for belief when he made the following nine payments. So it doesn't have to refund all of the money Mr M lost as a result of them.

Did Monzo meet its obligations under the CRM code?

Even though I don't think Mr M had a reasonable basis for belief when making the last nine payments, 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 I don't think these payments were for particularly large amounts, I don't think they were close enough together or so clearly connected to form a suspicious pattern, and they didn't leave the balance of Mr M'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 M made these payments. 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 M 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.

But Monzo has sent us evidence that it contacted the banks the money was sent to within a reasonable amount of time, to try to recover the money Mr M had lost. And it either hasn't received a response or has been told there is no money left to return to Mr M. So I think it has done all we'd expect it to do to try to recover the money. And, particularly as it was only made aware of the scam more than a month after the last payment was made, I don't think anything Monzo could reasonably have been expected to do would have led to the money being recovered."

I said I'd consider anything further Mr M 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.

Both Mr M and Monzo have now responded to the provisional decision. Monzo said it agreed with the decision and was willing to settle the complaint as proposed, and Mr M asked for the complaint but proceed to a final decision but didn't provide anything further to be considered.

As neither Mr M nor Monzo submitted any further evidence or arguments, I still think the conclusions I set out in the provisional decision are correct, and for the same reasons.

I still don't think Monzo has established that any of the exceptions to reimbursement under the CRM code apply to the first payment of £100 Mr M made, and so it should refund this payment in full. But I still think Monzo has established that Mr M didn't have a reasonable basis of belief when he made the following nine payments, and that Monzo didn't fail to meet its obligations under the CRM code in relation to these payments. So I don't think Monzo should have to refund any of these nine payments.

My final decision

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

- Refund Mr M the £100 payment he made on 2 December 2021
- Pay 8% simple interest on this refund, from the date it initially responded to his claim until the date of settlement

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 August 2023.

Alan Millward
Ombudsman