

The complaint

Mrs S complains that Monzo Bank Ltd ('Monzo') won't refund her after she fell victim to a scam.

What happened

Mrs S is represented in this case but for ease I'll refer to Mrs S throughout this decision.

The facts of this case are well known to both parties, so I don't propose to go into them in any detail. Briefly, Mrs S says she was introduced to an investment opportunity with a company I'll call M by her husband. There was another company involved – P – that Mrs S describes as a broker.

A friend of Mrs S's husband, who had been investing for around a year and had withdrawn funds, told him about the opportunity. Mrs S's husband received monthly reports and emails showing the returns he was making, which Mrs S says she saw. Mrs S believed she was investing on the basis her money would be used to purchase telecoms equipment for sale at a profit.

Mrs S says that before investing she completed some research, including checking both M and P at Companies House, looking at M's website and reviews, and noted that M sold products on the site of a large online retailer. In June 2020 Mrs S invested £2,000 in M and then made a further payment of £1,000 on 14 September 2020. She didn't know at the time, but she was actually involved in a pyramid scheme.

This service is aware that Mrs S wasn't the only victim of this scam. 'Investors' like her were given access to an app to monitor the progress of the investment and some received returns. I can see that Mrs S received a return of £50 in February 2021.

Mrs S realised she was the victim of a scam and contacted Monzo in November 2022.

Monzo said that although it hasn't signed up to the Lending Standards Board's (LSB) Contingent Reimbursement Model Code (CRM Code) it assessed Mrs S's claim in accordance with it. Having done so, it relied on an exception to reimbursement in the code, saying Mrs S didn't have a reasonable basis for believing the investment opportunity was genuine.

Our investigation so far

The investigator who considered this complaint recommended that Monzo refund Mrs S's outstanding loss (after taking into account the fact she received £983.34 from the bank that received her funds and £50 profit) plus interest. He said third party information received by this service confirmed this was a scam. And under the CRM Code Mrs S had a reasonable basis for believing it was a genuine investment opportunity for a host of reasons including the fact Mrs S was introduced to it by her husband who'd received returns (as had the person who'd referred her husband), the company was registered with Companies House, there were many positive reviews and know your customer procedures were followed.

Mrs S accepted the investigator's findings, but Monzo didn't and asked for a final decision, so the complaint has been passed to me to consider. In summary, Monzo said that this was a pyramid scheme which meant it was unable to reimburse under the CRM Code and that it is not aware of the outcome of the police investigation in this case.

I contacted Monzo informally in August 2022 to explain why I thought it should reimburse Mrs S in full. I said that the LSB has confirmed that pyramid schemes are included in the type of investment scam the CRM applies to. I also explained why I thought Mrs S had a reasonable basis for believing she was investing in a genuine scheme. Monzo didn't reply so I'm issuing this 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.

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.

I've considered whether Monzo should reimburse some or all of the money Mrs S lost in line with the provisions of the CRM Code and whether it ought to have done more to protect Mrs S from the possibility of financial harm from fraud.

The CRM Code requires firms to reimburse customers who have been the victims of Authorised Push Payment (APP) scams like this, in all but a limited number of circumstances. Monzo is relying on the following exception to reimbursement:

- 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.

It is for Monzo to establish that it can rely on this exception to reimbursement, and I don't think it has. I'll explain why.

- Mrs S was referred to the scheme by a trusted person and had received returns. Mrs S had also seen the updates her husband received showing the returns he was making. This would have been very convincing to Mrs S.
- The family member who referred Mrs S's husband to M also received returns from M, making the investment seem legitimate.
- Mrs S says she had a contract each month, but it was on the app that she can no longer access.
- Mrs S was required to provide personal information as would be expected if dealing with a genuine company.
- The app Mrs S had access to looked professional.
- Both M and P are registered companies and Mrs S checked these details before investing.
- There were a large number of positive reviews about M at the time and M sold products on the site of a large online retailer, helping to persuade Mrs S that M was legitimate.

Monzo has said that Mrs S didn't do enough to check M's authenticity but hasn't discussed what more it felt Mrs S could have done. It has also said the deal offered was too good to be true. Mrs S has explained that the rate of return was around 10% a month but this figure could go up or down depending on performance and the market. While this rate is high, it sounds like it wasn't guaranteed and I'm mindful that Mrs S had seen that others were receiving returns. In the circumstances, I can understand why this would have allayed any concerns she might have had.

Overall, Monzo hasn't demonstrated that it can fairly rely on an exception to reimbursement under the CRM Code so should refund Mrs S's outstanding loss plus interest as set out below.

My final decision

For the reasons stated, I require Monzo Bank Ltd to:

- Reimburse Mrs S £1,966.66.
- Pay interest on the above amount at the rate of 8% simple from the date of its decision not to reimburse to the date of settlement.

If Monzo Bank Ltd considers it is required by HM Revenue and Customs to take income tax from the 8% simple interest award, it should tell Mrs S how much it has taken off. It should also give Mrs S a certificate showing this if asked for one, so she can reclaim tax from HM Revenue and Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 20 November 2023.

Jay Hadfield
Ombudsman