

The complaint

G complains Monzo Bank Ltd didn't reimburse the money it lost when it was the victim of a scam.

What happened

Both parties are aware of the circumstances of the complaint, so I won't repeat them all here. But briefly, both parties accept that G was the victim of a scam after it made a faster payment of £3,000. The payment was for the purpose of G entering into a franchise agreement / becoming a franchise owner, in a company whom I'll call "P". G believed that P were a genuine car rental/leasing company.

G had previously leased a car from P, carried out checks on Companies House, met its director, had meetings with P about entering into the franchise and had researched potential buildings for its branch as part of the franchise. G, subsequently made a payment for £3,000 on 13 December 2021, under the belief it was to enter into a contract with P regarding the franchise with the contract being received within three days.

It later transpired that P had leased cars from another genuine rental company and were further fraudulently leasing them on.

After G had made payment and received nothing in return, it realised that it was the victim of a scam and contacted Monzo to report it and to see if its funds could be recovered.

Monzo didn't agree to refund G. It said it didn't consider it had taken sufficient steps to check who it was paying and what for.

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 said one or more of those exceptions applies in this case. It said G made the payment without having a reasonable basis for believing it was genuine.

One of our Investigators looked into G's complaint and thought it ought to be partially upheld. The Investigator didn't believe Monzo had fairly assessed G's claim under the CRM Code. They didn't think that Monzo had provided an effective warning prior to G making the payment. But they thought that Monzo had been able to establish G made the payment without a reasonable basis for believing all was genuine. They considered that the absence of any formal paperwork about the agreement they were entering into should have given G cause for concern.

Our Investigator recommended that Monzo refund 50% of the scam money lost – plus 8% simple interest from the date Monzo declined the claim under the CRM Code.

Both Monzo and G disagreed with the findings.

As the matter wasn't resolved, it was referred to me to review and make a final decision on the outcome of G's complaint.

I considered the complaint and issued a provisional decision as I was minded to reach a different outcome to that of our Investigator.

In short, I considered the complaint should be upheld in full and I wasn't persuaded that any of the permitted exceptions to reimbursement applied in the circumstances of this case. I was satisfied that Monzo had not shown that G made the payment without a reasonable basis for believing that the payment was for genuine goods or services, and/or that the person or business with whom they transacted with was legitimate or that it ignored an effective scam warning.

To put things right, I considered that Monzo should refund G the £3,000 lost to the scam and pay interest at 8% simple per year from the date their claim was declined under the CRM Code until the date of settlement.

Both parties had until 24 August 2023 in which to respond to my provisional decision and providing any more comments and evidence they wished for me to consider.

G confirmed it had received my provisional decision and accepted the findings I had reached. Monzo didn't respond to my provisional 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.

Having done so, and as neither party has given me anything else to consider, I see no reason to depart from my provisional findings. I'll confirm those findings below:

"I am satisfied that:

- Under the terms of the CRM Code, Monzo should have refunded the money G lost. I am not persuaded any of the permitted exceptions to reimbursement apply in the circumstances of this case.*
- In the circumstances Monzo should fairly and reasonably refund the money G lost.*
- Monzo should also pay interest on the balance not yet refunded at a rate of 8% simple per year. This interest should apply from the date Monzo first declined to refund G under the CRM Code, to the date of settlement.*

As I've said above, the CRM Code requires Payment Service Providers to reimburse customers who have been the victims of authorised push payment (APP) scams, in all but limited circumstances. If Monzo declines to reimburse its customer in full, it is for Monzo to establish that one, or more, of the listed exceptions set out in the CRM Code apply. Those exceptions are:

- where in all the circumstances, the customer made the payment without 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 that the person or business with whom they transacted with was legitimate; or*

- the customer ignored an 'effective warning' by failing to take appropriate steps in response to that warning.

There are further exceptions within the CRM, but none of these are applicable here.

After having carefully considered all of G and Monzo's submissions, I'm satisfied that Monzo has not shown that G made the payment without a reasonable basis for believing that the payment was for genuine goods or services, and/or that the person or business with whom they transacted with was legitimate or that it ignored an effective scam warning. I will go on to explain why I have reached this finding.

Did G have a reasonable basis for belief when making the payment?

G has provided detailed submissions about what happened to both Monzo and our service. Having reviewed this, I'm minded to agree with G's testimony around why they considered they had a reasonable basis of belief that P was a legitimate company and that the franchise they believed they were entering into was also legitimate.

I'm mindful here that at the time, P was registered on Companies House and one of G's directors had already leased a car from P. So I can see why they reasonably thought everything was genuine. G provided detailed submissions to Monzo when G reported the scam which outlined that G had held meetings with the director of P, and also detailed what they were to expect in return with the franchise agreement and what it was going to involve. And they believed that they were paying the £3,000 to secure the franchise for a branch in London with the contracts for the agreement being sent shortly after.

Monzo's main argument is that there was no paperwork entered into between G and P. I understand Monzo's argument here, but I'm mindful that there are other compelling factors which to my mind leads me to conclude that G didn't act unreasonably in the circumstances. G had already leased a car from P and considered it was a legitimate company. I don't think this is an unreasonable position to take. While formal paperwork had not been signed regarding the franchise – I can see why G thought things were ok and the contract would be received.

I note our Investigator and Monzo discussed whether or not the warning it provided to G at the time the payment was made was 'effective'. However here, I don't think given the nature of the scam that Monzo would have been able to identify the type of scam G was potentially at risk of – so I don't think it would have had a material effect on preventing the scam.

I've explained above why I'm satisfied G had a reasonable basis for believing the payee was the person the customer was expecting to pay, the payment was for genuine goods or services, and/or that the person or business with whom they transacted with was legitimate. And overall, I'm satisfied that Monzo hasn't established any of the permitted exceptions to reimbursement apply here. It follows that Monzo should reimburse G for the losses it suffered."

Putting things right

For the reasons outlined above, I uphold G's complaint about Monzo Bank Ltd.

I direct Monzo Bank Ltd to pay G:

- The balance of the money lost through this scam, that being the sum of £3,000 (less any sums already reimbursed or otherwise refunded) within 28 days of receiving notification of G's acceptance of my final decision; plus;
- 8% simple interest per year on that amount calculated from the date Monzo Bank Ltd originally declined G's claim under the CRM Code until the date of settlement. *

**If Monzo Bank Ltd deducts tax from this part of the award it should provide a tax deduction certificate to G so it can reclaim the amount from HMRC if eligible to do so.*

My final decision

For the reasons given above and in my provisional decision, I uphold G's complaint. I therefore require Monzo Bank Ltd to pay compensation as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask G to accept or reject my decision before 22 September 2023.

Matthew Horner
Ombudsman