

The complaint

Mr W complains that Monzo Bank Ltd hasn't reimbursed him after he was the victim of an investment scam.

What happened

The parties here are aware of the circumstances of the complaint, so I won't recount these in detail here.

But in brief, in 2022 Mr W was tricked into making a Faster Payments transfer of £4,950 from his account with Monzo. He did so in the belief he was sending the money to an investment scheme, but it later transpired he was dealing with a fraudster.

Mr W had been befriended by someone he'd been introduced to. He met that individual on multiple occasions. I'll refer to this person as S.

S claimed to run a successful kitchen and bathroom business. Mr W says he'd met others who'd either had work completed or had invested in S's business. He says all seemed good, and those who'd invested had been receiving returns on their money.

In October 2022, S said Mr W could also invest, but he'd need to send the money within 24 hours to secure the next round of investment. Mr W subsequently sent the disputed payment.

Mr W says that not long afterwards, S's business began to unravel, with S's business partner apparently being arrested. Other investors found news stories which revealed S had previously been imprisoned for similar ventures which had been scams. Mr W reported the matter to Monzo.

A voluntary code exists to provide additional protection to scam victims in many circumstances - the Lending Standards Board's Contingent Reimbursement Model Code (the CRM Code). 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 isn't a signatory of the CRM Code but has explained it is committed to applying the principles set out in it.

Monzo assessed Mr W's scam claim under the terms of the CRM Code. It didn't think Mr W had taken sufficient steps to check the legitimacy of the investment scheme being offered by S. He hadn't held a reasonable basis for believing he was sending the payment to a legitimate business or genuine investment scheme. Monzo didn't think it had been at fault and said it had taken the steps required of it under the code. So Monzo said it would not reimburse Mr W.

Mr W didn't accept this, and he referred his complaint to this service for an impartial assessment.

One of our Investigators looked into his complaint. She agreed with Monzo that Mr W hadn't held a reasonable basis for believing in the legitimacy of the scheme. But she didn't think

Monzo had fulfilled the requirements placed on it by the CRM Code. The Investigator thought Monzo was required to have provided an effective scam warning, but the one it provided hadn't met the minimum standards set by the code. She noted also that it had taken Monzo three days to attempt recovery of Mr W's money. She thought it should have done so immediately. However, in practice this delay hadn't made a difference, as no money could have been recovered by the time Mr W alerted Monzo to the scam.

In the circumstances, the Investigator said the fair outcome under the CRM Code would have been for Monzo to refund Mr W 50% of his loss. She said it should add 8% simple interest to reflect the time Mr W has now been without these funds.

Mr W accepted the Investigator's findings but Monzo didn't agree, so Mr W's complaint has now been referred to me to reach a final 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.

Having done so I have reached the same outcome as that of our Investigator and for broadly similar reasons.

To begin with, Monzo has a primary obligation to carry out the payment instructions its customers give it. As a starting point, a customer will therefore assumed liable for a payment they have instructed to be made. There is no dispute that Mr W authorised this payment, albeit having been deceived into believing he was sending it to a genuine business for an investment opportunity. On the face of it, he is therefore liable for the resultant losses.

However, as I've mentioned above, the CRM Code can provide additional protection for the victims of APP scams such as this was. Monzo has accepted that the payment Mr W made falls within the scope of the CRM Code.

While the CRM Code offers considerable additional protection to the victims of an APP scam, it includes provisions allowing a firm to share liability for the loss in some situations.

Relevant here, this includes an exception to full reimbursement where the customer made a payment without a reasonable basis for believing they were paying for genuine goods or services; dealing with a legitimate person or business; or paying the person they believed they were paying.

Monzo says this exception applies here. It says Mr W made this payment without holding a reasonable basis for believing he was dealing with a legitimate business or that he was paying for a genuine investment. I've considered whether it would be fair for Monzo to rely on this here.

I've taken into account what Mr W explains about the way the scam happened. It unfolded over a period of time and that the scammer was able to build trust with him. Amongst other things, Mr W was reassured that investment returns were being received by people he spoke to.

I understand how persuasive this could have been. But I think Mr W ought reasonably to have taken some independent steps to check what he was being told before sending such a large sum to S. He's explained he went ahead without having received any paperwork or contracts. Mr W accepts he didn't carry out any checks. While Mr W was satisfied others were receiving returns, this didn't really explain how such good returns could be achieved, especially when the terms of the investment were to receive returns every five weeks and be able to withdraw the capital investment at any point.

Overall, while I've carefully considered everything Mr W has said about why he thought what he did and why he believed the investment was genuine, on balance it is my finding that Mr W made this payment without having a reasonable basis for believing what he did. So, I find Monzo is entitled to rely on that exception to full reimbursement under the terms of the CRM Code.

The CRM Code sets out standards that firms are required to meet. Where these are not met, the firm may still be liable to reimburse a victim in part, even where it has been able to establish that an exception to full reimbursement may be fairly applied (as I am satisfied Monzo can establish here).

Relevant here, those requirements include the provision of what the Code defines as an Effective Warning when a firm identifies an APP scam risk in relation to a payment.

When Mr W was making this payment, Monzo says it gave him an Effective Warning, in line with the provisions of the CRM Code. I have considered the evidence provided by Monzo to determine whether I am persuaded it has established that it met its standards under the terms of the CRM Code in this respect.

Metro has provided a copy of the warning messages it says Mr W received. These were given when he entered the new payee details and when he made the payment.

I appreciate that, in providing Mr W with both of these messages, Monzo took steps to provide him with an effective scam warning during this payment journey. However, despite this, I'm not persuaded Monzo has demonstrated that the warnings met the minimum requirements of an Effective Warning under the CRM Code.

The CRM Code sets out minimum criteria that a warning must meet to be an 'Effective Warning'. I consider it reasonable to expect that any Effective Warning should have had a realistic prospect of preventing a scam of the general type the warning was intended for. Here, Mr W was making a payment to what he believed was an investment. That is a common scam type and one for which I'd expect Monzo to be able to tailor a warning.

But the warnings Monzo gave Mr W weren't particularly relevant to an investment scam risk, except in mentioning an offer being "too good to be true". Rather I consider both messages were generic in nature. They covered a range of scenarios, most of which were irrelevant to an investment scam. I think many customers might reasonably have concluded the warning simply wasn't relevant to them. I don't think the warning was sufficiently impactful or specific as required by the CRM Code.

In short, while it appears Monzo had identified a scam risk here, I'm not persuaded it provided a warning suitably tailored to the general type of scam risk. I'm not satisfied that the provision of the warning messages it gave was sufficient to show Monzo complied with the requirements of the CRM Code in relation to this payment.

A further requirement of the CRM Code is that firms should notify the receiving firm in accordance with the Best Practice Standards (or the equivalent timescales, where a firm is

not a signatory to those standards). The Best Practice Standards require no delay in notification, it should be immediate. With this in mind, I don't accept Monzo's argument that a timescale of three days was in line with what the CRM Code requires. I find it didn't meet the standard here. However, I am satisfied that this failure did not have any material effect on the recovery of Mr W's funds, as nothing remained to be recovered by the time he'd notified Monzo.

In summary, I find that Monzo failed to meet its requirements under the CRM Code. In these circumstances I find it fair and reasonable that Monzo should now share liability for the resultant loss with Mr W as is required under the terms of the CRM Code. That means it should have reimbursed him 50% the relevant payment. It is not clear how Mr W would have used the funds had these been returned to him by Monzo when it first assessed his claim. So I consider it fair that Monzo should add interest to this amount at the rate of 8% simple per year, to reflect the time Mr W was deprived of the use of this money.

My final decision

For the reasons outlined above, I've decided it is fair and reasonable to uphold Mr W's complaint about Monzo Bank Ltd in part. I therefore require Monzo Bank Ltd to pay Mr W:

- 50% of the money lost through this scam, being the sum of £2,475 less any sums already reimbursed or otherwise refunded; and,
- 8% simple interest per year on that amount calculated from the date the bank originally declined Mr W's claim until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 28 October 2023.

Stephen Dickie
Ombudsman