

The complaint

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

What happened

In early 2023, Mr A was looking for work and had applied for a number of jobs through a number of recruitment companies. He then received a message via an instant messaging app from someone who said they worked for one of the recruitment companies he'd applied through before, asking if they could pass his details on to a marketing company that was hiring. Mr A agreed and was then sent the details for a group chat run by the marketing company.

Someone from the marketing company then contacted him and explained the job involved completing orders for products, and that he would earn commission on each order he completed. He was shown how to set up an account on the marketing company's system and then make payments to fund the orders he would complete. Mr A then made a number of payments from his Monzo account to the account details the marketing company gave him.

I've set out the payments Mr A made below, as well as some credits he received:

Date	Details	Amount
6 January 2023		£112
6 January 2023	Credit from marketing company	£123.27 credit
6 January 2023		£212
6 January 2023	Credit from marketing company	£233.20 credit
6 January 2023		£5,202.36

Unfortunately, we now know the marketing company was a scam. The scam was uncovered when the marketing company told Mr A he'd need to pay more money in before he could complete the latest order he'd funded. Mr A said he couldn't afford to pay the amount they were asking for, so the company said the order would be cancelled and ultimately removed him from the group chat. Mr A then reported the scam to Monzo and asked it to refund the money he had lost.

Monzo investigated but said it had shown Mr A a warning before he made the first payment and had executed the payments in line with his instructions. It also said it didn't think Mr A had taken the steps it would have expected to check who he was paying. So it didn't agree to refund the money he had lost. Mr A wasn't satisfied with Monzo's response, so referred a complaint to our service.

One of our investigators looked at the complaint. They didn't think Mr A had a reasonable basis for belief when making the payments. But they also thought Monzo has failed to show an effective warning when it should have done. So they recommended Monzo refund 50% of the money Mr A had lost. Mr A accepted what our investigator said but Monzo disagreed, so the complaint has been passed to me.

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 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 A fell victim to, 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 A have a reasonable basis for belief when making the payments?

Monzo has argued that Mr A didn't take enough steps to check who he was paying and what for, and so didn't have a reasonable basis for belief when making the payments. And I appreciate that this was a sophisticated scam where Mr A had spoken to several people and been given an account where he could monitor his orders. But I also think there were a number of things about what was happening and what he was told that should have caused him significant concern.

He doesn't appear to have received a contract or any other documents relating to his employment by the marketing company. All the contact he had with both the recruitment company and the marketing company was through an instant messaging service, which isn't what I'd expect from professional companies and isn't how he's said he was contacted by this recruitment company previously. And he was told he had to pay upfront before he could do any work for the company, which I think is unusual – particularly for the kind of work he thought he was doing. And so I think these things should all have caused him some concern.

Mr A doesn't appear to have done significant checks into who the marketing company was, or whether the people he was speaking to were connected to either the recruitment company or the marketing company. And given the amount of money he was ultimately sending them, I think it would be reasonable to expect him to have done more checks into these things before going ahead.

The amount Mr A was initially told he could earn was relatively high for what appears to be relatively little and relatively straightforward work, especially when there didn't appear to be any application or recruitment process necessary. So I think this should have caused Mr A

some concern that what he was being told was too good to be true. And he was then later told he would be earning commission, which is different to what he was initially told and so I think this should also have caused him some concern.

Mr A was also asked to make the payments to an account in the name of a different company to the one he thought he was working for. And he doesn't appear to have been given any explanation or this. So I think this should have caused him significant concern.

While Mr A did try to check the marketing company was legitimate, I think the issues I've mentioned above should have caused him significant concern. And I don't think the seemingly genuine information he saw from the checks he did should have been enough to overcome those concerns.

So I think Monzo has established that Mr A made the payments without a reasonable basis for belief that they were genuine. And so it has established that one of the exceptions to reimbursement under the CRM code applies here, and it does not have to refund Mr A all of the money he lost.

Did Monzo meet its obligations under the CRM code?

Even though I don't think Mr A had a reasonable basis for belief when making the 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.

The first two payments Mr A made weren't for what I'd consider to be particularly large amounts. There had been other payments out of his account for similar amounts in the months beforehand and the payments didn't leave the balance of his account at a particularly unusual level. So I don't think Monzo ought to have identified a scam risk as a result of these first two payments.

But the third payment Mr A made, for £5,202.36, was for a significantly larger amount and was significantly larger than the payments usually made from his account. So I think Monzo ought to have identified a scam risk as a result of this payment, and shown Mr A an effective warning before allowing it to go through.

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 A was shown, which said:

"Could someone be trying to scam you?"

Stop if:

- *You were told your account is at risk, to make an unexpected payment, or to take out a loan*
- *The offer sounds too good to be true*
- *You haven't double-checked who you're paying*

- *You were told to ignore warnings like this*

You may lose money if this is a scam.

If you're at all unsure, stop and get advice."

While the warning does mention offers that are too good to be true and double-checking who you are paying, the rest of the things mentioned in it aren't really relevant to Mr A's circumstances. The warning doesn't give much detail about what this kind of scam could look or feel like. And I don't think it does enough to highlight the seriousness of the risks or what steps someone could take to try to avoid falling victim to a scam.

So I don't think this warning was specific or impactful enough to be effective in Mr A's circumstances. And so I don't think Monzo has met its obligations under the CRM code.

Overall then, I think Monzo has established that Mr A made the payments without a reasonable basis for belief that they were genuine. But I also think Monzo has failed to meet its obligations in relation to the third payment. So I think Mr A is entitled to a refund of 50% of the third payment under the CRM code.

As Mr A had received returns from the first two payments which were larger than the amounts he had paid in, I think it would be fair to deduct this profit he made from the amount he lost from the third payment. And so I think it would be fair to require Monzo to refund 50% of the loss he suffered, calculated as the third payment minus the profit Mr A made from the first two payments.

I also think this third payment was large and unusual enough that, in addition to its responsibilities under the CRM code, Monzo should have identified Mr A was potentially at risk of fraud as a result of it, and so intervened to carry out additional checks before allowing it to go through. And that, if it had done so, the scam would likely have been uncovered and the loss prevented at that point. So I think Monzo should pay interest on the refund from the date of the payment, until the date of settlement.

Did Monzo do enough to try to recover the money Mr A 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 the bank the money was sent to has told us the money was removed from the accounts it was sent to almost immediately after Monzo was made aware of the scam. So I don't think anything we would reasonably have expected Monzo to do could have recovered the money Mr A lost, and so I won't be asking it to do anything further.

My final decision

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

- Refund Mr A 50% of the money he lost – totalling £2,584.95
- Pay 8% simple interest on this refund, from the date of the third payment until the date of settlement

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

Alan Millward
Ombudsman