

The complaint

Mr C is unhappy that Monzo Bank Ltd (“Monzo”) hasn’t refunded him the money he lost due to a scam.

What happened

The circumstances that led to this complaint are well known to both parties, so I won't repeat them in detail here. But in summary between 17 November 2022 and 21 November 2022, Mr C made four payments (ranging from £350 to £1,500) totalling £3,050 to a car leasing company (“F”) for a car and insurance he never received. Monzo did not uphold the complaint as it felt Mr C hadn't done enough checks prior to making the transactions. However, it refunded £350 as a gesture of goodwill.

Our investigator upheld the complaint in part. She agreed that Mr C didn't have a reasonable basis for belief, but she felt Monzo could have done more in recovering Mr C's funds.

Monzo did not agree. It said it was unreasonable to expect it to review the claim straightaway and that the beneficiary bank couldn't action any account restrictions immediately. It said the Best Practice Standards gives it 24 hours and says it should reach out immediately once checks have been carried out. Monzo says it does need to carry out due diligence to make sure the claim appears legitimate from its side. So, it considers it did reach out to the beneficiary bank within a reasonable time frame. It also pointed out that it had already refunded Mr C £350 as a gesture of goodwill.

I issued my provisional decision on 4 December 2023 explaining why I was reaching a different conclusion to the investigator. Neither party responded.

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.

As neither party has provided any further evidence or arguments for consideration, I see no reason to depart from the conclusions set out in my provisional decision. For completeness, I have set this out below.

In deciding what's fair and reasonable, I'm required to take into account relevant law and regulations; regulatory rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

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.

The CRM Code

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 C 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 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
- 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 C have a reasonable basis for belief when making the payments?

I need to consider not just whether Mr C believed he was sending money to lease a car but whether it was reasonable for him to do so. I've thought about the steps Mr C took to reassure himself about the legitimacy of the transactions and whether it was reasonable for him to proceed with the payments.

- Mr C says he came across the deal on a social media platform and the communication seems to have mainly continued via that platform. He said he did several checks within that platform, but this is not a recognised forum for leasing a car. So Mr C ought reasonably to have been more wary.
- Mr C sent the funds to an account under a different business name to the name of the organisation he thought he was getting the car from. I think this warranted further scrutiny.
- Mr C did ask where the business was based. The postal address he was given brings up another (genuine) vehicle rental company with a different name.
- It seems the fake company on the social media platform was impersonating a legitimate organisation with a similar name. The genuine organisation has a different location and different contact numbers to the details Mr C was provided with. I think it would have been prudent to use those details to have checked things out further when the car did not arrive before sending more money.
- Mr C continued to make payments after the car did not show up (and he had raised the matter as a scam). It seems he relied on what someone from the fake organisation was telling him rather than checking things independently.

I appreciate Mr C says he saw positive reviews online, but I don't think this was enough to disregard some of the clearer warning signs here.

Did Monzo meet its obligations under the CRM Code and should it have done anything further to prevent the payments?

Even though I don't think Mr C had a reasonable basis for belief when making the payments, he may still be entitled to a refund of some of the money it 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.

Banks can't reasonably be involved in every transaction. There is a balance to be struck between identifying payments that could potentially be fraudulent and minimising disruption to legitimate payments. I don't think the sums or pattern of transactions were unusual or suspicious and I don't think Monzo ought to have identified a scam risk as a result. So I don't think Monzo needed to provide an effective warning or ought reasonably to have taken any further action before processing the payments.

Did Monzo do enough to try to recover the money Mr C lost?

I've also thought about whether Monzo took reasonable steps to recover Mr C's funds once it was made aware he was the victim of a scam. The first scam payment was made on 17 November 2022. The scam was initially reported on 18 November 2022 and subsequently withdrawn on 19 November 2022. Two further payments were made on 19 November 2022; the last one being made at 09:24 on 21 November 2022. At 14:22 the same day Mr C confirmed he wanted to reopen his scam claim. Monzo reached out to the beneficiary bank on 22 November 2022, but Monzo was told that no funds remained.

The Best Practice standards do say *the notification will be made immediately once checks have been carried out and APP details collected*.

Monzo originally argued that it has 24 hours to report to the beneficiary bank, but I don't agree. Subsequently it has argued that as the claim was previously withdrawn, it therefore needed to conduct extra checks to determine the validity of the claim. It has confirmed that once that had been completed it did reach out.

Even if there was a slight delay by Monzo, I don't consider it would make a difference in this case. Ultimately, I have seen the evidence that only £298.03 of the funds remained at 15:29 – just 45 minutes after Mr C reported the scam on the second occasion. I don't think Monzo could reasonably have been expected to reach out to the beneficiary bank before this time. So, I find that as it has already refunded Mr C £350, there is nothing further for it to refund.

I realise my decision will be a significant disappointment to Mr C, especially as it differs to the investigator's assessment. I sympathise with his circumstances, and I am sorry he has fallen victim to a scam. But having considered all the evidence and arguments, for the reasons above I'm not persuaded that Monzo is liable for any further losses.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 16 January 2024.

Kathryn Milne
Ombudsman