

## The complaint

Mr R is unhappy that Monzo Bank Ltd won't refund money he lost as a result of a scam.

## What happened

On 13 October 2023, I wrote to both parties with my provisional findings. I wanted to give both sides a chance to provide any further evidence and arguments before I issued my final decision. Those findings form part of this final decision and are copied below.

*Mr R fell victim to an investment scam which was perpetrated over social media. It appeared that his friend had recommended the investment. The fraudsters claimed, through a post on social media, to be able to generate returns of at least 200% on any investment. The post did not explain how money was generated.*

*The fraudster's social media account had a few thousand followers and displayed a number of pictures which showed, among other things, screenshots of relatively large bank balances and conversations which suggested 'investors' had received money back. On 16 November 2021, Mr R messaged the account holder and asked about the investment. The account holder claimed that Mr R would receive the share of profits of a company 'generating billions of dollars' by investing in various industries using 'a well studied computer system designed by expert'. The account holder went on to say 'this process is 100% reliable, legit & guaranteed'.*

*Mr R sent the account holder £750, believing that he'd receive £17,500 in 20 minutes. When that didn't happen, he was told he needed to send more money in order to release his funds. He sent another payment but was given the same excuse again. In total he made fourteen payments totalling just over £20,000.*

*Eventually Mr R appears to have realised that he'd fallen victim to a scam. After initially reporting that the fraudster had not received some of the payments he'd sent, he told Monzo he'd been the victim of a scam on 15 December 2021.*

*Monzo said that he should have taken more care when making the payments and that it had warned him about the risk of proceeding. It declined to reimburse him, but it did try to recover the money he lost. A small sum was subsequently returned to Mr R.*

*Mr R referred the matter to our service. One of our Investigators considered the case under the provisions of the Contingent Reimbursement Model Code ("CRM Code"), which requires its signatories to reimburse APP scams like this one in all but a limited number of circumstances. Monzo isn't a signatory to the CRM Code, but has agreed to adhere to its principles.*

*Our Investigator thought that Monzo could fairly rely on one of the exceptions to reimbursement under the CRM Code – that Mr R had lacked a reasonable basis for believing that the investment was legitimate. But, the Investigator thought that Monzo had failed in its obligations under the CRM Code too – specifically to provide an Effective Warning in relation to one of the payments. So, they recommended that Monzo pay 50% of that payment - £1,750.*

*Both Monzo and Mr R didn't agree. Mr R provided further evidence of his conversations with the fraudsters. Monzo said that Mr R had chosen the incorrect reason for the payments – 'something else' instead of 'investment' – so he hadn't seen the most relevant warning and, because of that, it couldn't be fairly held responsible for any of the loss he suffered.*

*As no agreement could be reached, the case was passed to me for a decision.*

*What I've provisionally 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.*

*Although the starting position in law is that Mr R is responsible for transactions he's authorised himself, Monzo's agreement to abide by the principles of the CRM Code means that it should only decline reimbursement if it can show that one of the exceptions set out in the CRM Code applies. In this case, I think that Monzo can rely on one of those exceptions – that Mr R lacked a reasonable basis for believing that the investment was legitimate.*

*The returns offered were astronomical – unrealistic for a genuine investment, particularly one that appeared to carry no risk. I think Mr R ought to have appreciated that the offer was unlikely to be genuine, regardless of any previous investment history or knowledge. Mr R did enquire about how the investment worked, but the explanation given was vague and far-fetched. He did not receive any proof that his, or anyone else's, money was invested and he doesn't seem to have taken any steps to understand who was operating the social media account. Mr R also made further payments without having received any returns. I'm afraid that the evidence is very compelling that Mr R lacked a reasonable basis for believing that the investment was legitimate.*

*But Monzo also has obligations under the CRM Code. If it fails to meet those standards in relation to a particular payment, or series of payments, and that failure would have had a material effect on preventing the scam then it may be responsible for partially reimbursing its customer. Unless the receiving firm is also at fault, it would be responsible for reimbursing 50% of its customer's loss.*

*One such obligation requires a firm, where it identifies a scam risk in a payment journey, to provide an Effective Warning.*

*The Investigator concluded that Monzo hadn't provided an Effective Warning in relation to one of the payments when it ought to have done and recommended that Monzo pay Mr R 50% of that payment. I've reached a different outcome. I think Mr R wasn't particularly careful when he selected a payment reason. He appears to have been asked to select a payment reason before several of the payments. In relation to the £3,500 payment, he selected 'something else' as the payment reason. That selection is arguably understandable – at this point he was paying in order to release his funds, but I think it's fair to say that 'investment' would have been the more obvious choice. And, in relation to several other payments he selected 'safe account', which makes little sense in the circumstances. Overall, given the selections Mr R made, I'm not persuaded that any failure by Monzo to provide an Effective Warning had a material impact on preventing the scam – even if Monzo had*

*provided an effective written warning in relation to investment scams it seems unlikely that Mr R would have seen and taken heed of it.*

*But providing an Effective Warning in some circumstances is only one of the standards a firm must adhere to under the CRM Code. Under SF1(5) in some circumstances a firm is required to go further and, where it has concerns about a payment, it should intervene and take 'reasonable steps to communicate with the originating Customer'. I also consider it to be a matter of good practice for a firm like Monzo to be on the lookout for out of character and unusual transactions to, among other things, try and prevent customers suffering financial harm from fraud.*

*I think there were reasons for Monzo to be concerned here. Mr R made a series of unusual and, in my view, suspicious payments over three weeks. And, as already mentioned, for several of those payments Mr R selected 'safe account' as the payment reason.*

*Having already sent almost £7,000 in the previous two weeks, Mr R made three payments of £1,000 on 2 December 2021, all to the same payee. A further £1,000 payment was made on 3 December 2021 to a different payee. Then on 4 December 2021 he made a £2,000 payment to another Monzo account, stating the reason for the payment as 'safe account'. Given the unusual nature of the previous activity and the payment reason given (which should have been of significant concern to Monzo), it ought, in my view, to have done more than simply provided a written warning. It should have had a conversation with Mr R about the purpose of the payment, if nothing else to satisfy itself that he was not falling victim to a safe account scam.*

*While Mr R doesn't seem to have been very careful about which payment reason he chose, I don't think it can be inferred that he'd mislead the bank about the purpose of the payment if asked. And, assuming he did reveal even the most basic facts surrounding the payment he was trying to make (that it was towards a social media investment and that he was paying the money in order to release funds, having already made several payments for the same purpose), it would have been abundantly clear that he was falling victim to a scam. I think Monzo would have been in a position to provide a very strong warning. And, in the absence of evidence to the contrary, I think Mr R is unlikely to have gone ahead with the payment and the rest of his loss would have been prevented.*

*Therefore I don't think Monzo met its standards as a firm under SF1(5) and I think that failure is likely to have had a material effect on preventing the scam from that point onwards.*

*That means Monzo should refund 50% of the outstanding loss caused by the payments in dispute which took place after and including 4 December 2021. Those payments totalled £10,000. It should also pay Mr R 8% simple interest per annum on the amount refunded, from the date of each payment to the date of settlement. I think that interest should fairly be paid from the date of each payment, rather than the date Monzo declined Mr R's claim under the CRM Code, because I think it should have intervened on 4 December 2021 and, had it done so, Mr R's loss would have been prevented.*

*I've also considered Monzo's attempts to recover Mr R's funds. I can see that when Mr R reported the matter to Monzo it asked him both a series of questions and to provide evidence of his claim. It wasn't until a few weeks after he first contacted Monzo that Mr R provided this information. Many of the questions Monzo asked are clearly aimed at establishing liability under the CRM Code, rather than simply establishing whether a scam had taken place. Time is of the essence in situations like this and the CRM Code requires Monzo to act in accordance with relevant best practice and immediately notify the receiving firms once it receives a scam claim. So, I think Monzo should have contacted the receiving firms sooner.*

*In advance of my provisional decision, our Investigator contacted the receiving firms to find out when Mr R's money left those accounts. Not all of those firms responded. But the firms which received the most recent payments prior to Mr R contacting Monzo did. And the evidence they provided showed that almost all of the money was removed before Monzo could have reasonably been in touch. So, while I think Monzo should have acted sooner, I haven't seen any compelling evidence that this would have led to more of Mr R's money being recovered.*

*In relation to the outstanding loss, I can see that two amounts of money that relate to payments after and including the 4 December 2021 payment were returned to Mr R - £249.22 on 2 January 2022 and £23.72 on 29 March 2022. I'm unaware of any other sums being returned but if either party wishes to provide further submissions about this, it should do so in advance of my final decision.*

*That means that, as it stands, I calculate the outstanding loss from the payments after and including the payment made on 4 December 2021 to be £9,727.06. I'm recommending that Monzo should pay half of that amount - £4,863.53.*

#### *My provisional decision*

*I intend to uphold in part this complaint about Monzo Bank Ltd and instruct it to pay Mr R:*

- *50% of the outstanding loss from the payments which took place on and after 4 December 2021 – I calculate this figure to be £4,863.53.*
- *8% simple interest per annum on that amount from the date of each payment to the date of settlement, less any tax lawfully deductible.*

Neither party responded 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.

As neither party responded, my final decision is the same as my provisional decision.

#### **My final decision**

I uphold in part this complaint about Monzo Bank Ltd and instruct it to pay Mr R:

- 50% of the outstanding loss from the payments which took place on and after 4 December 2021 – I calculate this figure to be £4,863.53.
- 8% simple interest per annum on that amount from the date of each payment to the date of settlement, less any tax lawfully deductible.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 1 December 2023.

Rich Drury  
**Ombudsman**