

## 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 late 2022, Mr A was looking to arrange a visa to allow him to remain in the country after he finished his academic degree. A friend of his introduced him to someone they'd met through their church, who they said had helped other people get visas in the past. Mr A started communicating with the person via an instant messaging service. And he ultimately sent a number of payments totalling £4,730 from his Monzo account to bank details the person gave them.

I've set out the payments Mr A made below:

Date	Amount
28 November 2022	£4,000
4 January 2023	£80
4 January 2023	£300
5 January 2023	£200
5 January 2023	£150

Unfortunately, we now know the person was a scammer.

Monzo investigated but said it had made the payments in line with Mr A's instructions. It said it didn't think Mr A had done enough to check who he was paying, so it didn't agree to refund the payments. But it did say it could have done more to support Mr A after he reported the scam, so offered to pay him £50 compensation. 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 thought Mr A should have had some concerns about what was happening. But they also didn't think the warning Monzo had shown Mr A was effective, so they thought it should refund 50% of the money he had lost. Monzo didn't agree with our investigator, 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 do enough to check who he was paying, 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 was asked to fill in a form supposedly for a solicitor and was shown what he was told was a previous successful visa application the person had done for someone else. But I also think there were a number of things about what was happening and what he was being told that should have caused him significant concern.

Mr A doesn't appear to have ever met the person he was speaking to, and only communicated with them via the instant messaging service. But given the amount of money he was being asked to send them, I think it would be reasonable to expect him to have done some checks into who he was speaking to.

Mr A says he was told the person he was speaking to had links to the Home Office. But he doesn't appear to have asked for, or been shown, any more detail of what these links were or any evidence of them. And given the potential importance of the visa he was trying to arrange, I think it would be reasonable to expect Mr A to have checked he was dealing with the appropriate people and arranging it in the correct way.

Mr A also doesn't appear to have been sent any documents or paperwork relating to the visa application he was supposedly making. But this isn't how I would expect a process like this to be carried out and I think it would be reasonable to expect at least some paperwork to show the application was in progress, particularly once payments started to be made. So I think this lack of documents should have caused Mr A significant concern.

Mr A was also asked to send the payments to the personal account of the person he was speaking to, rather than to the Home Office itself, any employer that was sponsoring him or the solicitor that was supposedly working on his application. And this also isn't how I would expect a process like this to work. So I think being asked to make the payments in this way should have caused Mr A some concern.

I also don't think the documents Mr A was sent for the solicitor and as proof of a previous successful application were particularly convincing or reassuring. The form for the solicitor just asked for his details and didn't ask for any information relating to his visa application or detail what work they would be doing. And the document from the previous application was cropped and incomplete and didn't show the name of the person he was speaking to.

I sympathise with the position Mr A has found himself in and I appreciate that he has been the victim of a cruel scam. But I think there were a number of things here which should have caused him significant concern. And I don't think he did enough, or that the seemingly genuine information he was given should have been enough, to satisfy those concerns. So I think Monzo has established that Mr A made the payments without a reasonable basis for belief that they were genuine.

Monzo has therefore established that one of the exceptions to reimbursement under the CRM code applies here, and so it does not have to refund Mr A all the money he lost.

*Did Monzo meet its obligations under the CRM code?*

Even though I don't think he had a reasonable basis for belief when making the payments, Mr A 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 payment Mr A made here was for what I consider to be a significant amount. It was significantly larger than any other payment made out of his account in the months before the scam. And it used up a significant amount of the available balance in the account. So I think Monzo should have identified a scam risk as a result of this payment, and shown Mr A an effective warning before allowing it to go through.

Monzo has argued that the payment wasn't particularly out of character and has highlighted a number of other payments Mr A made out of his account in the past. But most of the payments it has highlighted are from a significant period of time before this scam payment. And I think they are all for significantly lower amounts than this payment. So I still think Monzo should have identified a scam risk here and shown Mr A an effective warning.

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 Mr A was shown before making the payment, 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 this warning does mention double-checking who you're 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 a scam could look or feel like. And I don't think it does enough to highlight the seriousness of the possible consequences of sending money to a scammer, 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.

Monzo has argued that Mr A only viewed the warning for just over a second, and so it wouldn't have made a difference even if it had shown an effective warning as Mr A would likely not have taken the time to review it anyway. But, as I explained above, I don't think this warning was specific or impactful enough to be effective in Mr A's circumstances. The first two possibilities it mentions weren't relevant to him. So I don't think it was unreasonable for Mr A to navigate past the warning without taking any further action, even if he did so very quickly.

I also don't think Mr A quickly navigating past this warning is enough on its own to say that a more effective warning wouldn't have caused him to consider his situation for longer. I haven't seen anything else to suggest he was told to ignore any warnings Monzo gave or was determined to make this payment whatever action Monzo took. And, as Monzo is the financial expert in this situation, I think it's likely a clear warning from it would have carried significant weight with Mr A. So I think it's likely that a warning that was more specific to his circumstances and more impactful would have had a material effect on preventing the scam that took place.

And as this was the first payment Mr A made as a result the scam, if this first payment had been prevented, I think the later payments all would have been prevented as well. So I think it would be fair for Monzo's failure to meet its obligations in relation to this first payment to mean it should bear some responsibility for these later payments too.

Monzo has also argued that it shouldn't intervene in legitimate transactions without good reason, and referred to the Supreme Court's decision in *Philipp v Barclays Bank UK PLC [2023] UKSC 25*. And I appreciate that the court in that case said, among other things, that the starting position is that there is an implied term in any current account contract that a bank must carry out a customer's instructions promptly. But, apart from any implied duty it is under, Monzo has said it is committed to applying the principles set out in the CRM code. And it is these obligations under the principles of this code, rather than any other duty or form of good practice, that I think it has failed to meet here. So I don't think Monzo's arguments here are relevant to this particular case and I still think it has failed to meet 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 failed to meet its obligations. And, where this is the case, the CRM code sets out that Mr A is entitled to a refund of 50% of the money he lost.

### *Recovery*

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 from the evidence I've seen, the money was removed from the account it was sent to before Monzo was made aware of this scam. So I don't think anything I would reasonably

have expected Monzo to have done would have led to the money Mr A lost being recovered, and I don't think it would be reasonable to require it to do anything further.

### *Customer Service*

Monzo has offered to pay Mr A £50 as compensation for not addressing his concerns and circumstances as well as it could have when responding to his initial claim. And, from the evidence I've seen, I think this offer is fair and reasonable compensation for the distress and inconvenience this poor customer service caused to Mr A.

### **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 as a result of this scam – totalling £2,365
- Pay 8% simple interest on this refund, from the date it initially responded to his claim until the date of settlement
- Pay Mr A £50 compensation, if it has not already done so

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

Alan Millward  
**Ombudsman**