

The complaint

Miss Y is unhappy that Monzo Bank Ltd won't refund the money she lost after she fell victim to an Authorised Push Payment ("APP") scam.

What happened

The background to this complaint is well known to both parties, so I won't repeat it in detail here. But, in summary, I understand it to be as follows.

Miss Y was looking to book a flight, for a trip she had planned with some friends. One of Miss Y's travel companions recommended that they book their flights through a travel agent that they had used previously. Believing this to be a legitimate travel agent, Miss Y went ahead and made the following payments to secure her flight;

22 July 2022	£200
22 November 2022	£701

But unknown to her at the time, she was dealing with fraudsters who had cloned the details of a legitimate travel agent and she'd sent her money to accounts the fraudsters controlled. Miss Y realised she'd been scammed when she didn't receive her tickets or a refund of her money.

Miss Y raised the matter with Monzo. It has agreed to adhere to the principles of the Lending Standards Board Contingent Reimbursement Model, which requires firms to refund victims of APP scams like this one in all but a limited number of circumstances. In this case Monzo said that it thought it could fairly rely on exceptions set out in the CRM Code. It didn't think Miss Y had taken reasonable steps to check who she was paying and said it had provided Miss Y with warnings at the time she made the payments.

Unhappy with Monzo's response, Miss Y brought her complaint to this service. One of our Investigator's looked into things and thought the complaint should be upheld and that Monzo should refund Miss Y the money she had lost, along with interest.

Monzo didn't agree with our Investigator's view. As agreement couldn't be reached the complaint has been passed to me for 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.

Having done so, I am satisfied that:

- Under the terms of the CRM Code, Monzo should have refunded the money Miss Y lost. I am not persuaded any of the permitted exceptions to reimbursement apply in the circumstances of this case.

- In the circumstances Monzo should now fairly and reasonably refund the money Miss Y lost.

I'm satisfied that Monzo hasn't established that Miss Y made this payment without holding a reasonable basis for believing that she was paying for a legitimate item. I consider the steps she took were proportionate in the circumstances. I will go on to explain why I have reached this finding.

I've taken into account the evidence provided by both sides. Under the terms of the CRM Code, the victim of an APP scam such as this should be reimbursed unless the bank is able to establish that one (or more) of the exceptions to reimbursement can be applied.

Here Monzo argues that Miss Y didn't carry out sufficient due diligence before making her payments. It has added that the correspondence she had received looked unprofessional and it should have been a red flag to Miss Y that she was being asked to make the payments by bank transfer.

I've carefully considered Monzo's representations about whether Miss Y had a reasonable basis for believing the purchase was genuine. Weighing everything up, I don't think it would have been evident to Miss Y that there was a risk with this purchase. I say this because, in the circumstances of this case, I think it was reasonable for her to rely on the recommendation of a friend who had used the 'genuine' travel agent successfully before.

I'm also mindful that the correspondence from the fraudsters appeared similar in nature to what Miss Y's friend had received from the genuine agent, so I can't fairly say that this ought to have been a red flag to her. She also asked if there was an option to make the payment by credit card, but was told by her friend, who was organising the trip that she couldn't – so she decided to proceed as she trusted her friend, who had used the agent before. People don't want or expect to be scammed, from what I've seen I don't consider Miss Y had reason to believe she was dealing with anything but a legitimate travel agent and I don't think she has proceeded with a complete disregard to risk.

Monzo has also said that it provided Miss Y with warnings before she made the payments. I'm not persuaded the payments Miss Y made to the fraudsters were so remarkable or unusual that I would have expected Monzo to have identified a scam risk. So I'm satisfied it needn't have identified a scam risk and in turn did not need to provide effective warnings or question the payments before processing them.

But given Monzo has argued it provided effective warnings, I've considered this. While the warnings, in part, intend to warn customers about potential scams they may be at risk of, I find that they don't meet the definition of an 'effective warning' as set out by the CRM Code. The warnings highlight multiple potential scams. But they don't bring to life what the type of scam Miss Y was falling victim to looks like, or highlight the common features of these types of scam.

All things considered, I think it fair and reasonable that Miss Y thought she was dealing with a legitimate travel agent for a legitimate service when making the payment. I'm satisfied that it wasn't unreasonable for Miss Y to proceed in making the payments she did. Overall and on balance, I'm not persuaded that Monzo has shown that Miss Y lacked a reasonable basis of belief for making the payment, or that she ignored an effective warning.

Putting things right

For the reasons outlined above, I've decided it is fair and reasonable to uphold Miss Y's complaint about Monzo Bank Ltd. I therefore require Monzo Bank Ltd to pay Miss Y;

- The money she lost through this scam, being the sum of £901 and
- 8% simple interest per year on that amount calculated from the date the bank originally declined Miss Y's claim until the date of settlement.

My final decision

My final decision is that I uphold this complaint against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss Y to accept or reject my decision before 26 March 2024.

Stephen Wise
Ombudsman