

The complaint

Mrs F complains that Monzo Bank Ltd did not refund the transactions she lost to a scam.

What happened

Mrs F had recently applied for jobs when she was contacted on a private messaging app by a recruiter. They said she could earn £1,600 per week in a flexible and fully remote job. As it was a global firm, Mrs F would have to open a cryptocurrency account to receive payment, which she did. On top of the base salary, Mrs F could earn additional commission but had to pay a deposit in USDT in order to do so. Once she earned some commission, she was told she had to pay fees to access this.

She deposited £1,900 into her crypto wallet via a transfer from her Monzo account and she also made a transfer of £3,200 directly to an employee at the company, as well as payments from a separate third-party account. Despite this, she still did not receive a withdrawal of the commission. Following this she realised she had been the victim of a scam and contacted Monzo to raise a scam claim. Monzo attempted to recover the funds, but unfortunately none remained to be recovered. And they said that they could not refund the lost funds internally.

Mrs F referred the complaint to our service and our Investigator looked into it. They did not think the initial payment of £1,900 was unusual enough to have warranted a warning or intervention from Monzo. However, they felt the second payment was due reimbursement under the Lending Standards Board's Contingent Reimbursement Model (CRM) Code. This is a voluntary Code and while Monzo is not a signatory to it, they have agreed to abide by the principles of it.

Our Investigator did not think Monzo provided an effective warning as set out by the Code. But they felt a reduction in the redress was fair as Mrs F did not have a reasonable basis to believe she was dealing with a legitimate employer in the circumstances. So, they recommended a total refund of £1,550 plus 8% simple interest to be applied from the date of the declined claim.

Monzo disagreed with the outcome as they felt they had provided an effective warning in the circumstances, and they highlighted that the CRM Code states a tailored warning should be provided where possible. But as they did not know the specific scam Mrs F was the victim of, they could not provide a specific warning for her situation.

As an informal agreement could not 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 agree with the Investigator for largely the same reasons, and I uphold this complaint in part.

Although the starting position in law is that Mrs F is responsible for transactions, she's authorised herself, Monzo's agreement to abide by the principles of the CRM Code means that they should only decline reimbursement if they can show that one of the exceptions set out in the CRM Code applies. In this case, Monzo seek to rely on two of the exceptions to reimbursement:

- Mrs F ignored an 'Effective Warning'
- Mrs F made the payments without a reasonable basis for believing that they were for genuine goods or services; and/or that the job was legitimate.

It should be noted that the first payment of £1,900 is not covered by the CRM code as it went to another account in Mrs F's name. In this situation, Monzo should still be on the lookout for signs that Mrs F could be at risk financially. However, this was a not an especially high value payment and when compared to her genuine account activity, was not so unusual as to warrant a warning or intervention from Monzo prior to it being processed. So, I don't think that Monzo missed an opportunity to reveal the scam when it did not carry out further checks on this payment.

However, the second payment was made directly into the scammer's account meaning it is covered under the CRM Code. Monzo has said that it provided an effective warning, so thinks it met its obligations under the code. However, I don't agree with this.

Monzo had an obligation to provide an effective warning where it identified a scam risk during the payment journey. The payment of £3,100 was of a high enough value that I think a warning should have been provided, especially as it was higher than Mrs F's previous genuine account activity.

Monzo provided a warning when Mrs F set up the payment going to a new payee, but this was relatively generic and mentioned multiple types of scams on the same page. Monzo feels this warning was effective as it mentioned that offers which are too good to be true could be a sign of a scam, and they felt this was relevant to Mrs F's case. However, the warning did not set out what steps Mrs F could take to protect herself from the scam which I think was important. So, on balance, I don't think this was effective and I don't think Monzo met their obligations under the Code. Because of this, I think reimbursement is due for the £3,100 payment.

I also agree that Mrs F has not met her obligations under the code as I think she lacked a reasonable basis to believe she was making payments towards a legitimate job opportunity. In summary, Mrs F was offered a high paying job out of the blue with no application or interview process. And she was told she had to pay deposits in cryptocurrency in order to be eligible for commission, which is an unreasonable request. And she was then told to pay more in cryptocurrency in order to withdraw the commission.

Having considered all of the circumstances of the scam, I think Mrs F lacked a reasonable basis for believing she was legitimately making payments related to a job. So, I also think she failed to meet her obligations as set out by the CRM code. So, I think the reimbursement should be reduced by 50% to account for this.

Putting things right

Monzo should reimburse the final payment but can reduce this by 50% to £1,550. Monzo should also add 8% simple interest from the date of the declined claim to the date of settlement.

If Monzo considers that it's required by HM Revenue & Customs to deduct income tax from

that interest, it should tell Mrs F how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

I uphold Mrs F's complaint in part. Monzo Bank Ltd should pay the redress outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 8 July 2024.

Rebecca Norris
Ombudsman