

## **The complaint**

Mr O complains that Monzo Bank Ltd hasn't refunded him after he fell victim to a scam. He is represented in his complaint by a claims management company (CMC).

## **What happened**

The background to this complaint is well known to all parties and so I won't set out extensive detail here.

Mr O was introduced to what he believed was an investment opportunity. Mr O has said that it was a good friend that introduced him and that this friend had already been earning returns, which were demonstrated on a spreadsheet.

Mr O says he researched the company behind the investment and found it on Companies House, with profiles also on eBay and Amazon. Convinced by what he saw, Mr O decided to invest and sent £9,000 to the account details he was given on 10 October 2019. Mr O wouldn't find out until months later that he'd become caught up in a scam.

As time went by Mr O invested more money, and not only from his Monzo account. He also received some returns on his investment, first one month after investing and then again in January and February 2020.

The scam was revealed when the business behind the supposed investments became uncontactable and people were unable to withdraw funds. Mr O reported what happened to Monzo but it said it wouldn't refund his loss.

One of our investigators recommended Mr O be reimbursed by Monzo. But the bank didn't agree and so the case has been passed to me for a final decision.

I've discussed the outcome of this complaint at some length with the CMC representing Mr O. I've done so on the basis that I intended to reach a different outcome to our investigator (who upheld the complaint) and because there were gaps in the evidence supplied.

## **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.

I'm now formalising the findings I've already discussed with Mr O's representatives. And because of the previous contact I've had with them, I won't restate all the detail here.

There's no dispute that Mr O authorised the payments made toward the scam investment. Under the Payment Service Regulations (2017) he is therefore deemed responsible for them, even though he made them under false pretences.

But Monzo has agreed to abide by the principals of the Lending Standards Board's Contingent Reimbursement Model (CRM) Code, though it isn't a signatory to it. Broadly speaking, the Code states that a scam victim should be reimbursed in most cases. But it does set out exceptions to reimbursement that a firm might rely on to deny a refund.

Monzo has said that one of these exceptions apply in Mr O's case, which is why it didn't reimburse him. It says he made the payments without having a reasonable basis for believing he was transacting with legitimate parties for legitimate purposes. Tied to that consideration was Monzo's belief that Mr O hadn't carried out sufficient due diligence to ensure all was as it seemed. I'm satisfied Monzo has acted fairly and reasonably in reaching that conclusion.

*Did Mr O hold a reasonable basis for believing he was transacting with legitimate parties for legitimate purposes?*

I'm not saying here that Mr O knew he was falling victim to a scam at the time. His own version of events shows how he'd been told a number of things that made the opportunity appear legitimate. But what I can't say is that the evidence shows his willingness to invest was founded on a reasonable basis for belief.

Mr O's representatives have put forward information about the checks Mr O carried out. But there's no firm evidence of such checks being conducted at the time. His representatives have also talked about how this scam targeted a particular tight-knit community, which added further legitimacy to the scam.

I don't necessarily doubt some of what's been said here. But Mr O's representatives haven't been able to come up with anything in the way of specifics, or to have provided any evidence of checks or research carried out by Mr O. The information it has put forward has been mostly generic, relating to the broad features of the scam and the victims involved. It's also supplied documents and evidence that were clearly sent to someone other than Mr O and so have little impact in establishing a reasonable basis for belief on his part.

Reference has been made by the representatives to an app that was created for the purposes of the supposed investments, and that this was a particularly persuasive feature. But my understanding is that Mr O started sending money before this app was launched, so it couldn't have played a part in his thought process. There are other pieces of information supplied that would appear to bear the same characteristics. My assessment of Mr O's reasonable basis for belief must begin with what he knew and what he was told at the very beginning of the scam, before he sent any money. Convincing elements that might have been introduced or developed later can't be said to have given a reasonable basis for belief at the start.

There's also a lack of specifics around the person that introduced Mr O to the opportunity. Who this person was and why they were in such a position of trust remains unclear.

I've asked whether Mr O saw any confirmed withdrawals of investment returns to anyone's bank account before he decided to invest. It's been confirmed that he didn't, and my understanding is that his friend didn't confirm he'd actually withdrawn funds either. So the only indication Mr O had that some people *might* have been receiving returns came in the form of a fairly rudimentary spreadsheet. I don't find that can be fairly said to have established a reasonable basis for belief.

Evidence has been presented which shows Mr O and his brother receiving returns on money invested. But these returns only come once money had already been put into the scheme. It can't then fairly be said that Mr O can move from a position of not holding a reasonable basis of belief to one where he did as a result of being more drawn into the scam after the initial transaction.

*Should Monzo have done anything to warn against making the payments?*

It's arguable that Monzo ought to have provided Mr O with a detailed scam warning when he made the first payment toward the scam investment. The payment of £9,000 was clearly large and not in line with the limited account history. But I have to consider whether any intervention would have made a material difference. I'm not persuaded it would have.

It can be reasonably assumed that, if asked about the investment opportunity, Mr O would have informed Monzo of why he had been drawn to the investment and why he trusted those who had given him advice. And I think it would have been difficult for Monzo to detect a scam based on that information.

Even if it had, and had given warnings, it seems more likely than not Mr O would have proceeded in any case, reverting to the recommendations and assurances he'd received from people he knew. So I'm not persuaded any potential failure of Monzo's to give a warning has had a material effect on the scam or Mr O's falling victim to it.

#### *Other considerations*

There are some other considerations that might be commented on, but that I'm not going to. This includes questions over the source of funds invested, as this is somewhat unclear. There is evidence to suggest much of the money lost wasn't Mr O's. I've asked for further explanation on this point from Mr O's representatives, but have not received a response with the detail.

It's also true that Mr O has received refunds from other banks, including those the money was sent to. And so, even if the complaint were to be upheld in part, perhaps on the basis that Monzo ought to have done more to give scam warnings, the refunds already received would have to be taken into account. They would reduce – if not remove – any requirement for Monzo to reimburse, depending on the confirmed amounts Mr O has already received back.

#### **My final decision**

I don't uphold this complaint against Monzo Bank Ltd.

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

Ben Murray  
**Ombudsman**