

The complaint

Miss H complains about Monzo Bank Ltd.

She says that Monzo didn't do enough to protect her when she fell victim to a scam and would like Monzo to refund her the money she has lost.

What happened

Miss H works in a gym and was providing personal training for an individual. They had worked together for some time and had a good professional relationship. After discussing what the individual did for work, he explained that he used to work for a finance company but had recently set up his own business.

Miss H said that she had a small amount of money that she would like to work harder for her and was interested in investing. The individual explained that he usually dealt with larger investments, but as they already had a good working relationship, he was willing to help.

Miss H looked up the individual's business on Companies House and saw that he was a director and she spoke with others who had also invested. And as she had known the individual for some time, agreed to invest.

Initially, Miss H made a payment of £5,000, and later attempted to make a payment of £1,000, but this later payment was blocked by Monzo, who told her that it thought she was falling victim to a scam. While Miss H initially wanted the payment to go through, Monzo did not release it. Miss H then came to the realisation she had been scammed, and through a third party brought a complaint to this Service.

Monzo didn't initially respond to this Services request for its business file, so the Investigator issued a view based on the information Miss H and her representatives provided, where they explained that they felt that Miss H's complaint should be upheld in full.

Monzo then responded with its file and said that it didn't agree with the outcome our Investigator had reached.

As there was nothing in Monzo's file that changed our Investigator's view, the complaint was passed to me to make 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.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

The starting point for my considerations is that, under the Payment Services Regulations 2017 and the terms of her account, Miss H is liable for transactions she has carried out herself. But Monzo have agreed to consider claims in line with the Lending Standards Board Contingent Reimbursement Model CRM Code (CRM Code), and also have a longstanding obligation to be on the lookout for unusual and out of character transactions which might indicate their customer is at risk of financial harm from fraud.

There is no dispute here that Miss H was tricked into making the payment. The CRM Code requires firms to reimburse customers who have been the victims of Authorised Push Payment (APP) scams like this, in all but a limited number of circumstances which I have set out below:

- The customer made payments without having a reasonable basis for believing that: the payee was the person the Customer was expecting to pay; the payment was for genuine goods or services; and/or the person or business with whom they transacted was legitimate.
- The customer ignored what the CRM Code refers to as an "Effective Warning" by failing to take appropriate action in response to such an effective warning.

There are other exceptions that do not apply to this case.

It is for Monzo to establish that it can rely on one of the exceptions to reimbursement set out under the CRM code.

Monzo says that Miss H didn't have a reasonable basis for belief that the payment she was making was for an investment – and that she didn't do enough research into what she was doing. It said that as she found the opportunity at the gym, and not 'a professional area for discussing financial matters', which should have been a red flag to her. It also says that communication was via a messaging app which would be unusual for a legitimate business.

It also goes on to say that the business wasn't registered with the Financial Conduct Authority (FCA) which a legitimate financial business would be and that the contract Miss H was presented with has no signatures.

However, I disagree. And I do think that Miss H had a reasonable basis for belief in what she was doing. Miss H had worked with the individual in her capacity as personal trainer for some time – and had known him for 18 months. So, I don't think that she would have considered him untrustworthy. She was also aware of others who had invested through him and had spoken with them about it. Miss H also checked the individual's business on Companies House which confirmed that he was a director and had been since 2020. I also wouldn't have expected her to have had extensive knowledge around checking the FCA register to check that the company was authorised as a financial institution.

Effective Warning

Monzo goes on to say that it provided Miss H with a warning when she initially set up the payee in preparation to make the payment. It says that this was an effective warning, but Miss H still went on to continue to make the payment. It further says that when it contacted her about the £1,000 payment she wanted to make, that she was not convinced she was

being scammed – so even if it had done more when she made the payment of £5,000 Miss H would still have wanted to go ahead.

But I don't think that the warning it showed Miss H was effective – it attempts to cover multiple scam types, without truly bringing any of the individual scams to life in a meaningful way – and it doesn't set out the key features of an investment scam. It also doesn't set out any steps a customer can make to protect themselves from the scam.

While I know that when Monzo intervened on the £1,000 payment Miss H made, and she still thought that the investment was legitimate, ultimately Monzo concluded that she was being scammed, and refused to make the payment – so she wasn't able to make the payment as she wanted to do. Therefore, had it made a better intervention at the point of the £5,000 payment, I don't think this payment would have proceeded either. Miss H would have given the same explanation for the payment that she provided at a later point, and Monzo would have concluded she was being scammed, and blocked the payment.

It follows that I uphold this complaint in full.

Putting things right

Monzo Bank Ltd should refund Miss H the £5,000 she lost to the scam.

On top of this, it should also pay Miss H 8% interest from the date it initially declined the claim until settlement (less any lawfully deductible tax).

My final decision

I uphold this complaint. Monzo Bank Ltd should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 19 December 2024.

Claire Pugh
Ombudsman