

The complaint

Z, a limited company, complains that Monzo Bank Ltd won't reimburse money lost to a scam. It would like the funds reimbursed.

What happened

Z holds accounts with Monzo. In April 2023 a staff member received an email seemingly from the director of Z to make a payment of £5,753.62 to a new recipient. The staff member set up the payment through the Monzo account.

However, it later turned out this was not a genuine email and the money had been sent to a scammer. Z reported this to Monzo – but the bank declined to refund the amount, saying that Z hadn't done enough to check they payment was genuine. But Monzo had recovered £1,633.86, which they returned to Z.

Z complained about the outcome – and also about the length of time taken to investigate, and difficulties in syncing their accounting software. Monzo responded and agreed the service hadn't been up to standard. They accepted that they had taken too long to respond to the scam claim, and that there were gaps in the communication from them to Z. They also said the issue with the accounting software was known, and they were investigating a fix. For these failings they offered Z £125 compensation. But they still felt the outcome of their scam investigation was correct.

Dissatisfied with this answer Z referred the complaint to our service. Our investigator was satisfied that Monzo didn't need to refund the scam losses – they thought that Monzo had processed the payment as asked and didn't see that Monzo would have needed to scrutinise it. So, they didn't see that there was a missed opportunity to prevent the fraud. But they felt that the issues that Z had raised about customer service had gone on for months, and this will have caused disruption to the running of the business. They suggested the compensation be increased to £250 in total.

This was accepted by Monzo, but Z declined to accept this. It said the scam hadn't been dealt with well by Monzo, and it had had a huge impact on the business. It felt the payment should have flagged as suspicious. It said there was a reimbursement scheme set to come into force. As no agreement could be reached the complaint has been passed to me to decide.

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 I've taken in to account the relevant legislation, regulations, guidance and codes of practice, and what I consider to have been good industry practice at the time.

It's accepted here that Z has fallen victim to an impersonation scam, which will have been incredibly upsetting to the staff involved. My role here is to determine whether Monzo have been fair and reasonable in declining to refund the losses.

There doesn't appear to be any dispute that the payment was authorised by a staff member at Z who had authority to transact on the account, albeit under false pretences. The relevant regulations here are the Payments Services Regulations 2017 (PSRs). Under these regulations once the payment is authorised, Monzo aren't liable for any loss. So, this is the starting point for my decision is that there's no specific obligation on Monzo to refund Z.

But I've gone on to consider whether it's fair and reasonable in the full circumstances of the complaint for Monzo to bear some of the loss. Z has highlighted the upcoming mandatory reimbursement model, which is expected to be introduced later this year. But this wasn't in force at the time Z made the payment, and there's no expectation this will apply retrospectively. So, this has not something I can consider.

There is the Lending Standards Board's Contingent Reimbursement Model (CRM) Code. Banks who have signed up for this code are generally expected to reimburse victims of scams, subject to certain restrictions. But in this case Monzo aren't a signatory to the code but have committed to applying the provisions within the code.

However, the code doesn't apply to everyone – only to specific types of customers. The most relevant in this case are "*microenterprises*". The code then refers to the PSRs' definition of a microenterprise, which in turn refers to the Annex to Recommendation 2003/361/EC of 6 May 2003. This defines a *microenterprise* as an enterprise that employs fewer than 10 people, and an annual turnover and/or balance sheet that doesn't exceed EUR 2 million.

From what Z had told us about this business there were more than 10 employees at the time of scam, and in the years previous. On that basis, Z doesn't meet the definition of microenterprise. I can't reasonably apply the provisions of the CRM Code when considering this complaint.

Like all UK-based banks Monzo have an obligation to monitor accounts and payments to look for signs that a customer is falling victim to fraud, or financial harm. If a particular payment looks significantly out of place, unusual or high-risk, I may expect Monzo to ask further questions of the sender, to find out more about why the payment is being made. The hope here is that any fraud or deception is uncovered. But it's also crucial to take in to account that Monzo aren't expected to catch every single fraudulent payment.

Here, I'm not persuaded that the payment was so far out of character for the account activity that Monzo should have intervened.

Z's account is actively used, with regular payments in and out of the account. The amount paid is not totally out of keeping with the previous account activity – a payment for this amount isn't a regular occurrence, but there had been occasional payments for this or higher value. I'm not satisfied that a single payment for £5,753.62, even to a new payee, should have stood out as very unusual. The account held a healthy balance both before and after the payment, and it did not close to exhausting this balance.

Monzo's records at the time show they offered a scam warning before asking if the payment should be continued. This warning explained that the payee should stop if they are unsure about the payment, and that they may lose any money sent. I think in the circumstances this is appropriate. But I don't see that there were any obvious signs that Z was falling victim to a

scam such that the bank should have intervened further. So, I cannot reasonably ask Monzo to cover the losses to Z from this scam.

I can see that Z first reported the scam seven days after the payment was made, through the chat. Monzo contacted the receiving bank within an hour of this report – and eventually the receiving bank was able to recover £1,633.86. I can't see that there were any undue delays in Monzo contacting the receiving bank or returning the funds to Z.

That said, I agree that Monzo did not provide the support I'd expect – I can see from the chat that from the reporting of the fraud it is several months before any substantial updates are given to Z. I can see the staff at Z had to continually ask for updates when it should have reasonably straightforward for Monzo to look in to. It wasn't until July that the fraud team asked further questions. I can see how the uncertainty around the outcome will have disrupted Z's day-to-day business.

Monzo have accepted the service provided wasn't reasonable. I understand the separate issue with the accounting software not syncing as now been resolved – but this was ongoing at the same time as the scam it would have compounded the issue and caused more disruption. So, I'm satisfied that the £125 already offered by Monzo isn't satisfactory.

Having considered the circumstances of the complaint, I'm satisfied that £250 overall is a fair way to compensate Z for Monzo's poor communication and for the difficulties in syncing the accounting software.

My final decision

My final decision is that Monzo Bank Ltd must pay Z £250 in total to resolve this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Z to accept or reject my decision before 4 July 2024.

Thom Bennett
Ombudsman