

The complaint

Mr M complains about Monzo Bank Ltd.

He says that Monzo didn't do enough to protect him when he became the victim of a scam and would like it to refund him the money he has lost.

What happened

Mr M was introduced to an individual by a close friend. This friend told him that they had invested previously and received returns on the investment.

Mr M did some research and saw that the individual had an online presence and was marketing themselves as having good experience in cryptocurrency and NFT's.

Mr M initially made a small investment, which was successful, and Mr M received his return as promised. Mr M then made two further payments of £500 each, but the scammer then cut contact and Mr M realised he had been scammed.

Mr M then complained to Monzo. It didn't respond to his complaint for almost a year. It says it considered his complaint under The Lending Standards Board's Contingent Reimbursement Model Code (CRM Code) which is a voluntary code that provides additional protection for victims of authorised push payment ("APP") scams like the one Mr M fell victim to, but declined to refund him as it said Mr M did not have a reasonable basis for believing that the seller or goods were genuine, but did offer him £50 for the time it took to investigate.

Mr M then brought his complaint to this Service.

Our Investigator looked into things and thought that Mr M's complaint should be upheld in full. They also said that Monzo should pay Mr M a further £100 for the time it took to consider Mr M's complaint.

Mr M accepted this, but Monzo did not. As no informal agreement could not be reached, the complaint has been 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.

The starting point in law is that Mr M is responsible for any payments he's authorised himself. However, the CRM Code requires a firm to reimburse victims of authorised push payment (APP) scams that fall under its provisions, unless a firm can demonstrate that one of the exceptions to reimbursement apply.

In this case, Monzo says that Mr M lacked a reasonable basis for believing that he was dealing with a legitimate individual. Having carefully considered this, I do not think that Monzo has acted fairly in relying on an exception here. I'll explain why.

I should start by saying that even when it is clear that an individual has been scammed, it doesn't automatically follow that a bank will refund the money lost, if it can establish that one of the exceptions to the CRM code applies, 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

There are other exceptions that do not apply to this case

Monzo says that it relied on the above exceptions to decline to provide Mr M a refund of his payments because;

- Mr M contacted the scammer via Instagram which is not a legitimate investment platform
- The returns Mr M was anticipating were too good to be true at a return of 200%
- Mr M had never met the scammer in person before parting with his money
- The Financial Conduct Authority (FCA) issued a warning about crypto assets and NFT's in May 2022

However, I don't think that it is reasonable for Monzo to apply the above exception to Mr M's complaint.

I understand that Mr M made contact with the scammer via Instagram, he was also introduced to the scammer by a trusted friend, who he had known for a number of years and who had also made supposedly successful investments. The scammer had a presence online with Twitter (now X) and LinkedIn. Mr M also applied caution when first investing, and received the promised return, which furthered his belief that he was dealing with a legitimate individual.

I do understand that the promised returns were high – but the scammer provided Mr M with a range of potential returns – not just the 200% return that Monzo has quoted. And as I have said above, Mr M had already received a return he was expecting from his earlier payment.

And while the FCA may have issued a warning on its website about NFT's, as I have said above, Mr M had already made a seemingly successful investment before parting with the £1,000, so I don't think this would have affected his decision even if he had seen the warning.

I've also considered whether Monzo could have done anything to try and recover the money once

it had been told of the scam. We'd expect a business to take reasonable steps to try to recover the money from the bank it was sent to. However, the money was lost around three months before the scam was reported, and Monzo took over a year to investigate Mr M's complaint, I think that recovery of the funds would be extremely unlikely. Even if Monzo had attempted to recover Mr M's money when he first reported the scam, as it should have, I think it's very unlikely any funds would have remained to return.

Finally, I agree with our Investigator that Monzo took an unreasonably long time to investigate Mr M's complaint, and that £100 compensation for this is appropriate given the circumstances.

Putting things right

Monzo should refund Mr M £1000. It should also pay Mr M 8% simple interest from the dates the payments were made until settlement, less any lawfully deductible tax.

It should also pay Mr M £100 in recognition of the delays in investigating his complaint (on top of the £50 it has already offered).

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 Mr M to accept or reject my decision before 21 August 2024.

Claire Pugh
Ombudsman