

The complaint

Miss L complains that Monzo bank Ltd won't refund the money she lost when she fell victim to a scam.

What happened

Miss L was contacted on social media by someone who appeared to be a friend, they said they had made good profits from a cryptocurrency investment scheme and offered to put Miss L in touch with their mentor so she could get involved too. Miss L made contact with the mentor and was told that she could make a profit of at least £10,000 (on an investment of £500) in a few hours. Miss L says she had seen evidence that appeared to show others making profits, and that the website for the investment scheme looked professional, so she agreed to invest. Unfortunately, and unknown to her at the time, she was dealing with a scammer, her friend's social media had been hacked and there was no legitimate investment opportunity.

Miss L made an initial payment, via an account she held with another bank, B, for £500. But when she tried to make another payment, for £2,500, B stopped the payment and asked her to go to branch to discuss it. When Miss L visited the branch B told her it thought she was being scammed, and arranged for the police to also speak to Miss L.

At this stage the scammer encouraged Miss L to open an account with Monzo, to facilitate the payments. Miss L did as instructed, and between 28 and 30 April 2023 she made payments totalling £9,500 from her Monzo account to various personal accounts belonging to third parties associated with the scam.

Miss L says that she spoke with a friend about what she was doing on 30 April, and at that stage she realised she had been the victim of a scam. Miss L raised a scam claim with Monzo on 2 May 2023.

Monzo looked into whether Miss L was entitled to a refund of all or some of the payments she made under the Contingent Reimbursement Model (CRM) Code. This voluntary code requires firms to reimburse customers who have been the victims of APP scams in all but a limited number of circumstances, and while Monzo is not a signatory to the CRM Code, it has publicly pledged to apply the principles of the Code.

However, Monzo told Miss L that it did not feel she had done enough to ensure the payments she was making were legitimate, so it declined to refund any further payments to her. It did though offer to pay her £50 to recognise delays in dealing with her claim.

Miss L didn't accept Monzo's findings regarding her scam claim, she thought Monzo should fully reimburse her, so she referred her complaint to our service.

One of our Investigators looked into her complaint. They thought Monzo was entitled not to fully refund Miss L the money she'd lost. They didn't think Miss L had held a reasonable basis for believing what she did when she sent the payments. They also felt that, even if Monzo had intervened in the payments, it was unlikely Miss L would have stopped what she

was doing, given that she had not acted on warnings direct from B and the police that she was the victim of a scam. So, they thought Monzo had fairly assessed the claim under the Code and didn't think it needed to refund any of Miss L's loss.

Miss L remained unhappy, so her case has now been referred to me to reach 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.

Firstly, at the time of writing, Monzo had not yet paid the £50 compensation it offered to Miss L for the delay in dealing with her complaint. But we have been in touch with Monzo about this matter and I understand it is now taking steps to ensure this payment is made to Miss L.

Moving on to Miss L's scam claim itself, I'm sorry to hear about what happened to Miss L, but I have to recognise that the main cause of her losses here were the scammers who deceived her. I must also take into account that Monzo has an obligation to carry out the payment instructions its customers give it. As a starting point, a customer is therefore assumed liable for a payment they have instructed to be made.

But even with that in mind, where a customer has made the payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for a bank to reimburse its customer even though the customer authorised the payment.

Amongst other things, Monzo has a responsibility to exercise reasonable skill and care, pay due regard to the interest of its customers and to follow good industry practice to keep customer's accounts safe. Additionally, as I've mentioned above, the CRM Code can provide increased protection for the victims of APP scams. I'm satisfied that the faster payments Miss L made fall within the scope of the CRM Code. But despite offering additional protections, the CRM Code includes provisions allowing a firm not to reimburse APP scam losses fully in some circumstances. Those circumstances include where the customer made a payment without a reasonable basis for believing that the person they were dealing with was legitimate, was providing a genuine service, or that the payee was the person the customer was expecting to pay.

Monzo says this exception applies here. So, while it had reviewed Miss L's claim against the Code, it didn't think it was required to reimburse her.

I need to determine whether Monzo has established this exception to reimbursement can be fairly applied – in other words, that Miss L made the payment without a reasonable basis for believing it was legitimate. In considering this point, I've carefully considered everything Miss L has submitted as well as the evidence submitted by the bank.

There were some features of what happened here that I think should reasonably have caused Miss L to use greater caution before sending a large sum of money. Firstly, the returns on offer were very high, Miss L says she was told she could make profits of at least £10,000 on an investment of £500 in only a few hours. I think this was simply too good to be true. I understand Miss L didn't have prior investment experience, but I think even without prior experience this would have seemed an unusually high rate of profit – hence the attraction of the scheme. I also note that the scammer apparently told Miss L to lie to Monzo about what the payments were for, which should have been another indication to her that the people she was dealing with may not have been entirely legitimate.

But the biggest issue here is that, before making the payments from her Monzo account, Miss L had made an initial small payment to the scam from an account held with B, and when she then tried to make a larger payment from B to the scam that payment was stopped by B. I've seen evidence that B asked Miss L to come into branch, where it told her it thought she was very likely the victim of a scam, B then went even further and asked for the police to also speak with Miss L about her being the victim of a scam. Miss L has said that B and the police did not educate her about what common scams could look like, but nonetheless, I think that a direct statement from B and from the police that she was very likely the victim of a scam should have caused Miss L significant concerns about what she was doing. But instead, Miss L found a way to work around the block that B had put in place, and continued on to make significant payments to the scam from her Monzo account.

In short, I find there were several indicators that should have put Miss L on notice that she was likely being scammed. I've carefully considered Miss L's representations regarding her circumstances, but I don't consider those circumstances meant she was unable to protect herself from this type of scam.

With all this in mind, I think Monzo has been able to fairly establish that when Miss L made the payments to the scam, she did so without a reasonable basis for believing she was paying into a legitimate investment. This means that, as set out in the Code, Monzo does not need to fully refund her for her loss even though this was the result of a scam.

However, under the terms of the Code a bank may still be required to partially reimburse a customer in circumstances where it hasn't met the standards set for firms by the Code. That would include requirements in terms of funds recovery or in taking sufficient steps to protect the customer from falling victim to a scam.

I've thought carefully about this, and also about the other obligations Monzo had – aside from those set out in the Code.

At the time Miss L made the disputed payments I'd expect Monzo to have had systems in place to look out for unusual transactions or other signs that might indicate a customer was at risk of fraud (among other things). If it had identified such a risk, then I might expect it to have intervened before processing a payment instruction in order to protect its customer from potential harm.

Miss L's account was opened for the purpose of making these payment, so there was no account history against which Monzo could compare new payments to see if they were out of character. But even with that in mind, I agree with our Investigator that by the time of the fourth payment to the scam – which was for £2,500 on 29 April 2024 – it is arguable that a pattern was emerging that had the hallmarks of a potential scam. I therefore consider that at this stage it would have been reasonable for Monzo to provide Miss L with an effective warning (as defined by the Code) to help protect her from scams. However, bearing in mind that Miss L had already been told by B and the police that she was very likely the victim of a scam, and that she had nonetheless continued to make payments to the scam, I don't think it's likely that any intervention would have made a difference here.

So, I'm not persuaded that any effective warning from Monzo would be likely to have materially affected Miss L's actions here, given that she had already shown she was willing to ignore warnings, even when given by the police.

I have also considered whether Monzo could have done more to recover Miss L's funds once she told it of the scam. But I'm satisfied Monzo could not have done more as, by the time that the scam was reported to Monzo, unfortunately no funds remained in the recipient accounts.

With all of the above in mind, I'm satisfied that Monzo is not required to reimburse Miss L for her loss under the CRM Code.

I understand that this will be very disappointing for Miss L, and I recognise what the loss of this money has meant for her. But I can reassure Miss L that I've carefully considered all the circumstances of his complaint before reaching what I consider to be the fair and reasonable decision in all of the circumstances.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 18 July 2024.

Sophie Mitchell
Ombudsman