

The complaint

Miss H complains that Monzo Bank Ltd (“Monzo”) won’t refund her multiple payments made from her account as the result of an investment scam.

What happened

In August 2023, Miss H was involved in a scam. She was persuaded to send £5,378.53, over a series of payments, from her Monzo account to someone who said they would be able to trade and make a profit on her behalf. Unfortunately, we now know this person to be a scammer.

It’s not clear how Miss H’s investment was supposed to work but she was told that if she invested an initial amount of £1,000, she would get £9,000 in return, within 15 minutes of investing. However, when Miss H asked to withdraw her funds she was told she would need to pay various additional fees that were required by the broker in order to release her ‘profits’. After continuing to make further payments and still not seeing any returns, Miss H eventually realised she’d been scammed.

Miss H then contacted her bank for help. Monzo looked into Miss H’s complaint, but it didn’t offer her a refund of the funds she had lost. It said it had contacted the scammers bank, but it hadn’t been able to retrieve any of Miss H’s funds. Monzo went on to say that it would not look to assume liability for Miss H’s loss and offer her a refund now.

Unhappy with Monzo’s response, Miss H brought her complaint to our service. An investigator looked into things, but she didn’t uphold the complaint. She said she didn’t think Miss H had a reasonable basis for believing that the investment she had entered into was genuine. Specifically, she said the returns she had been promised were too good to be true and Miss H hadn’t done enough checks before entering into the investment. She also said she had thought about the payments Miss H had made during the scam, but she didn’t think that they were so unusual that Monzo needed to provide Miss H with a scam warning prior to processing them on her behalf.

Miss H disagreed. She said she was vulnerable at the time due to a recent family bereavement and some uncertainty surrounding her employment. Miss H went on to say that the scammer had gained her trust by saying they had a shared faith.

As an agreement could not be reached, the case was passed to me for a final decision.

What I’ve decided – and why

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Having done so, I agree with the findings put forward by our investigator and I won't be upholding it. I'll explain why in more detail below:

The CRM Code

Monzo has agreed to adhere to the provisions of the Lending Standards Board Contingent Reimbursement Model (the CRM code) which 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.

A customer who has fallen victim to a scam should, under the CRM Code, be refunded in full in most circumstances. But the Code does set out exceptions to reimbursement which a business can choose to rely on, if it can evidence that they apply.

Monzo has said that one such exception applies in Miss H's case. Monzo says that:

- Miss H lacked a reasonable basis for believing she was dealing with a legitimate person for legitimate purposes.

It is then for me to decide whether this exception to reimbursement can be fairly relied on.

It is not in dispute that Miss H has been the victim of a scam. I'm satisfied the proposition offered by the scammer was a fraudulent scheme. But I then need to consider the merits of Miss H's individual case, taking into account her specific circumstances.

Did Miss H have a reasonable basis for belief when she made the payments?

Taking into account all of the circumstances of this case, including the characteristics of Miss H and the complexity of the scam, I think the concerns Monzo has raised about the legitimacy of the transactions Miss H made are enough to support its position that it wasn't reasonable for Miss H to have believed what the scammer was telling her.

I don't think Miss H had a reasonable basis for believing the scammer was the person he held himself out to be or that the investments on offer here were genuine. In reaching this conclusion I have taken into account the following:

- Miss H became involved in the proposed investment after receiving an unsolicited friend request from the scammer on a social networking application - which is not a method used to arrange and agree legitimate investments. And the language used by the scammer wasn't professional and wasn't what I'd expect of a genuine trader either. The scammer also asks Miss H to lie about the reason she is making the payment when entering the payment details, which isn't something a genuine financial professional would do. I therefore think that the nature of the messages, in combination with the other factors, ought reasonably to have led Miss H to have concerns.
- I haven't seen any evidence of a contract or any other documentation signed by Miss H and the scammer that would indicate she was entering into a genuine investment. And it appears that Miss H had some concerns about the legitimacy of what was happening at the time too. When speaking with the scammer, she asks if the bank will check where the money is coming from, which suggests she has, at the very

least, some concerns about what is taking place.

- The investment Miss H was offered did not sound genuine and it's unclear how the investment was supposed to work or how it could generate such large profits.
- The rate of return Miss H was offered and the timescale to receive it were too good to be true. Miss H was told to invest £1,000 and she would receive a return of £9,000 within a 15-minute period. This amounts to a 900% return rate on her original investment. And in some of the messages shared between Miss H and the scammer, the scammer refers to a £430,000 return on an investment of £5,000. These rates of return are not plausible. And so, I'm satisfied that the rate of return being offered here was so totally unrealistic and so unlikely that Miss H ought reasonably to have had significant concern about the legitimacy of the opportunity that was presented to her. That, in turn, ought to have led to a greater degree of checking on her part.
- Miss H has told us she didn't not carry out any checks on the scammer before she agreed to make the payments and she didn't do anything to verify he was who he said he was. And so, at the point Miss H agreed to invest, and when making the later payments, she was essentially making payments to an unverified stranger online.

So, overall, I'm not persuaded that it was reasonable for Miss H to have believed she was entering into a genuine investment. And I don't think she completed enough research before deciding to go ahead and invest - particularly given the significant red flags in this case.

Did Monzo need to provide Miss H with an effective scam warning/warnings?

The CRM Code also sets out standards for firms – that is, what firms are expected to do to protect customers from the risk of fraud and scams. One of those requirements is that, where the firm has (or should have) identified that its customer is at risk from a scam, it should provide that customer with an “effective warning”, within the meaning of the CRM Code.

Miss H says Monzo didn't provide her with effective warnings before she made the payments now in question here.

I can see Miss H made five payments to the scammer over a two-day period. The payments ranged from £500 to £1,500. So, the payments were relatively low in value, and I don't think any of them were remarkable enough to have stood out to Monzo as an APP scam risk.

Miss H was also including the term “borrowed” as the payment reference for each payment to indicate to Monzo that she was returning funds that she had borrowed.

So, overall, I don't think there was anything so suspicious about the payments that would've indicated to Monzo that these payments were being made as a result of an investment scam. And I'm satisfied that Monzo was entitled to consider there was no apparent APP scam risk here. So, I'm not persuaded that the bank needed to provide Miss H with an effective warning(s) or that the bank has failed to meet its obligations under the CRM Code.

Vulnerabilities

The CRM Code says that a customer who was vulnerable when they made an Authorised Push Payment ('APP') as part of a scam should receive a full refund of that payment, regardless of whether the firm knew about the customer's vulnerability before the scam took place. Specifically, the CRM Code states that:

“A Customer is vulnerable to APP scams if it would not be reasonable to expect that Customer to have protected themselves, at the time of becoming victim of an APP scam, against that particular APP scam, to the extent of the impact they suffered.”

Miss H has said that she was dealing with the recent bereavement of a close relative alongside an uncertain future financial situation at the time of her dealings with the scammer and because of this she feels that she was unable to protect herself from becoming a victim to this particular scam.

Miss H has my sympathies. I don't doubt that she was going through a difficult time. But I'm not persuaded that the circumstances she's described rendered her unable to protect herself from this type of investment scam, or that she can't reasonably been expected to have been able to protect herself from the scam because of her vulnerability. There was no level of sophistication to the scam and messages shared between Miss H and the scammer show that she was able to ask the scammer some questions at the time. Instead, I'm satisfied that given the returns on offer, Miss H decided to take a chance that the investment was genuine. But in doing so, she also ran the risk that it was not.

I haven't identified any other reason why Monzo ought to have contacted Miss H about the scam payments she instructed before processing them.

Finally, I've seen evidence which satisfies me that none of Miss H's funds remained in the beneficiary account for recovery by the time she reported the scam to Monzo.

I've a significant amount of sympathy for the circumstances Miss H has found herself in. I know she has lost a lot of money to a cruel and callous scam. I understand why she feels strongly that Monzo should offer her a refund now. But ultimately, I don't think Monzo has acted unreasonably in not upholding Miss H's complaint and so I won't be asking it to do anything more now.

My final decision

My final decision is that I don't uphold this complaint against Monzo Bank Ltd.

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

Emly Hanley Hayes
Ombudsman