

The complaint

Miss G complains that Monzo Bank Ltd won't refund the money she lost after she fell victim to an 'authorised push payment' ("APP") scam.

What happened

The background to this complaint is well-known to both parties, so I won't repeat it all here, But briefly, and based on the submissions of both parties, I understand it to be as follows.

Miss G was looking to buy a vehicle. She was talking to somebody through a well-known social media platform, who said they were able to arrange and guarantee finance for people with no or poor credit scores.

Believing everything to be genuine, Miss G agreed to pay an administration fee, followed by a deposit for a car that she wanted. Miss G made the following payments from her Monzo account, but unknown to her at the time she was dealing with fraudsters and had sent her money to an account the fraudster controlled;

28 September 2023	£300
29 September 2023	£1,500
6 October 2023	£1,500

Miss G realised she'd been scammed when she didn't receive the finance she had been promised, nor the vehicle.

Miss G raised the matter with Monzo. Monzo is not a signatory to the Lending Standards Board's Contingent Reimbursement Model (the CRM Code) but has agreed to adhere to the provisions of it. This means Monzo has made a commitment to reimburse customers who are victims of authorised push payment scams except in limited circumstances. Monzo investigated Miss G's fraud claim but concluded it had no responsibility to refund her loss. In summary this was because it didn't consider Miss G had carried out enough due diligence before making the transactions.

Monzo also said that it had tried to recover Miss G's money from the beneficiary bank (the bank to which the money was sent), but unfortunately no funds remained. Monzo did recognise that it had failed to investigate Miss G's fraud claim in a timely manner and in recognition of this it applied a credit to Miss G's account for £75.

Unhappy with Monzo's response, Miss G brought her complaint to this service and one of our Investigator's looked into things. Our Investigator didn't think the complaint should be upheld. In summary, this was because it was our Investigator's view that what Miss G was being offered was too good to be true. Our Investigator added that where Miss G didn't receive any documents and where she was paying an individual, rather than a business, there was enough going on for her to have had some concerns about the transactions she was making.

Miss G didn't agree with our Investigator's view. As agreement couldn't be reached, the complaint has been passed to me for 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.

To begin with, Monzo has a primary obligation to carry out the payment instructions its customers give it. As a starting point, a customer will therefore be assumed to be liable for payments they have instructed to be made. There is no dispute that Miss G authorised these payments, albeit having been deceived into believing she was sending them for the purpose of obtaining finance and buying a vehicle. On the face of it, she is therefore liable for the resultant losses.

However, of particular relevance here, the CRM Code says that the victim of an APP scam such as this should be reimbursed unless the bank is able to establish that one (or more) of the limited exceptions to reimbursement can be applied.

Under the CRM Code, a bank may choose not to reimburse a customer if it can establish that*:

- 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.
- 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.

**Further exceptions outlined in the CRM Code do not apply to this case.*

I think Monzo has been able to establish that it may choose not to reimburse Miss G under the terms of the CRM Code. I'm persuaded one of the listed exceptions to reimbursement under the provisions of the CRM Code applies.

Did Miss G have a reasonable basis of belief?

I've thought about what Miss G has told us happened, and the reasons Monzo say Miss G didn't have a reasonable basis for belief for proceeding with the payments or that the person she was dealing with was legitimate.

Based on everything I've seen and been told; I'm not satisfied Miss G did have a reasonable basis for belief. I think there were a number of concerning factors here that ought to have made Miss G cautious and led her to complete more extensive research before making the payments she did.

I say that because I think being offered a guarantee of finance being approved, regardless of what credit history may look like, is implausible to the point of being too good to be true.

As well as this, I don't think a legitimate person or business, dealing with finance agreements, would require that payments be sent to an individual's account, rather than a business account. While I appreciate Miss G said she'd looked at the reviews of the person she was dealing with, I've not seen anything to suggest who she was dealing with was authorised or regulated in anyway to provide the service Miss G believed she was paying for, which I think reasonably ought to have led Miss G to question whether things were all as they seemed.

I've considered that Miss G wasn't provided with, nor from what I've seen did she ask for, any documentation about the agreement she thought she was entering into. I think it would have been prudent to have something more formalised to give her comfort that she would be receiving the services she was promised, particularly so considering this was in relation to the provision of finance.

I'm mindful that any of these individual factors in isolation may not have been enough to have prevented Miss G from proceeding. But considering the specific circumstances of this case and the factors in the round, on balance, I think that there was enough going on and sufficient red flags that Miss G ought reasonably to have proceeded with more caution than she did.

I've gone on to think about whether Monzo did enough to protect Miss G from financial harm. As mentioned, the CRM Code says that where firms identify APP scam risks, they should provide effective warnings to their customers.

I've considered that, when Miss G made these payments, Monzo should fairly and reasonably have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). But in the circumstances of this case, I'm not persuaded the payments Miss G made to the fraudsters were such that Monzo ought to have been on notice that she might have been at risk of financial harm from fraud. So, I'm satisfied Monzo needn't have identified a scam risk and in turn did not need to provide an effective warning or question the payments before processing them.

Finally, I've considered whether Monzo did all it could to try and recover the money Miss G lost, once she had reported the scam to it. From the evidence I've seen, Monzo did contact the receiving bank when the matter was raised, but unfortunately the receiving bank reported that no funds remained. So, I think Monzo has done what it could reasonably have been expected to and I don't think it has missed an opportunity to recover the money Miss G has sadly lost.

Monzo found it could have dealt with Miss G's claim in a timelier manner and in recognition of this it compensated her with £75. I think this was fair and reasonable in the circumstances.

All things considered, I don't find that Monzo is liable to refund Miss G under the terms of the CRM Code. In saying this, I want to stress that I am very sorry to hear about what happened to Miss G and I am sorry she has lost out here. She was the victim of a cruel scam designed to defraud her of her money. I appreciate that she's lost a significant amount because of what happened.

But I can only look at what Monzo was and is required to do and I'm not persuaded that Monzo is required to refund her under the CRM Code, nor that the bank was at fault in making the payments Miss G had instructed it to make or for any other reason.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 10 June 2024.

Stephen Wise
Ombudsman