

The complaint

Mr A complains that Monzo Bank Ltd won't refund him after he fell victim to a scam.

Mr A is professionally represented in bringing his complaint, but for ease of reference, I'll refer to all submissions as being made by Mr A directly.

What happened

Mr A has explained that he was looking to apply for a working visa for his wife and was advised by a neighbour that they knew someone who could complete a 'fast track' application and provide employment. Unfortunately, unknown to Mr A at the time, this individual was in fact a fraudster.

Mr A made contact with the fraudster who he thought appeared knowledgeable and professional. On this basis, Mr A agreed to go ahead with him in obtaining the visa. In April 2023, Mr A was asked to make three payments in total, the first was for £4,000 and made payable to the company Mr A believed would be sponsoring his wife. When making the payment, Monzo has explained it provided Mr A with an in-app warning, advising the following:

'Could someone be trying to scam you?'

Stop if:

- *You were told your account is at risk, to make an unexpected payment, or to take out a loan*
- *The offer sounds too good to be true*
- *You haven't double-checked who you're paying*
- *You were told to ignore warnings like this*

You may lose money if this is a scam

If you're at all unsure, stop and get advice.'

Mr A clicked to confirm he wished to proceed with the payment. The same day Mr A was asked to pay a further £2,000 to a personal account, followed by a further £1,000 around a week later to a different personal account.

After making all three payments, Mr A continuously contacted the fraudster in an attempt to obtain the visa, but when this failed to materialise, Mr A realised he'd fallen victim to a scam. He contacted Monzo in August 2023 to raise a claim about payments two and three, followed by payment one in September 2023.

Monzo didn't provide a response to Mr A's complaint in the permitted timeframes, so Mr A referred his complaint to our service.

Monzo also failed to provide a business file to our service within the permitted timescales, but one of our investigators was able to review the complaint in the absence of a file, based on the evidence provided by Mr A. Monzo has agreed to act in the spirit of the Lending

Standards Board Contingent Reimbursement Model (CRM) Code (although it isn't a signatory), which requires firms to reimburse customers who have been the victims of APP scams like this in all but a limited number of circumstances. Our investigator considered Mr A's complaint, but didn't think Monzo was liable to reimburse Mr A under the CRM Code.

She considered that Mr A didn't have a reasonable basis for believing he was making legitimate payments. She also didn't think the fraud risk was apparent enough to Monzo that it ought to have provided an 'effective warning' to Mr A, prior to him making the payments.

Mr A disagreed with the investigator's view. He considered that as each of the three payments went to new beneficiaries, all payments warranted an effective warning prior to the payment being processed. He also considers he took enough steps to verify the visa process was real, such as checking that the employer stated was an eligible sponsor and placing weight on his neighbour having received a successful visa.

As Mr A disagreed with the investigator's view, the complaint has been referred to me for a final decision. Since the view was issued, Monzo has also provided its business file, which I've reviewed. I've also contacted Mr A informally to explain that, while I was minded to agree with the investigator's opinion reached, I've done so for slightly different reasons when considering whether Monzo ought to have provided an effective warning. I've given Mr A an opportunity to respond and have included my thoughts, as well as answers to Mr A's response in more detail below.

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.

Having done so, while I'm sorry to disappoint Mr A, I'm not upholding his complaint. I'll explain why.

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.

In broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. However, where the consumer made the payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for the bank to reimburse the consumer even though they authorised the payment.

When thinking about what is fair and reasonable in this case, I've considered whether Monzo should have reimbursed Mr A under the provisions of the CRM Code and whether it ought to have done more to protect Mr A from the possibility of financial harm from fraud.

The CRM Code

As mentioned, Monzo has agreed to act in the spirit of the Lending Standards Board CRM Code (although it isn't a signatory). The CRM Code 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 and it is for Monzo to establish that a customer failed to meet one of the listed exceptions set out in the CRM Code.

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 fully reimburse Mr A 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.

Taking into account all of the circumstances of this case, I don’t think there is enough to support a position here that Mr A had a reasonable basis for believing he was paying a legitimate individual. I’ll explain why.

I appreciate that Mr A was speaking to someone that he believed had obtained a working visa for someone else he knew, and this would’ve gone some way into convincing him that this was a genuine route for obtaining a visa. However having said that, I still think there were a number of other red flags in the circumstances of this case that ought to have caused Mr A concerns about whether this offer was legitimate.

For example, Mr A has confirmed he currently had a student visa. I therefore think he would have had some understanding of how the application process worked and the official channels that are normally followed. Mr A has said he believed there were two types of visa applications, a standard and ‘fast track’ form. However, from looking at the information provided on the UK government website, even paying for their ‘superior’ fast track service, where an answer can be provided within one day, would cost less than half of what the fraudster was charging. As Mr A had already been through the visa process once, I think it’s reasonable to assume he could have identified this by researching the standard costs and timeframes, which ought to have led to further questioning.

Mr A has confirmed there was no interview process with his wife’s proposed employer and while he confirmed he was surprised to hear this, he was advised by the fraudster that this was not a necessity. While I appreciate Mr A’s wife may not have applied for roles in the UK before, considering this was a skilled role to care for vulnerable individuals, I think the lack of any application process also ought to have raised questions.

Mr A has said the fraudster appeared knowledgeable and professional; however this is not evident in the instant messages provided by Mr A between them. The language used is informal and often short hand, so I don’t think this ought to have provided any reassurances on the fraudster’s legitimacy. There was also no explanation within the chat for why Mr A was paying three different bank accounts.

For these reasons, I don’t find Mr A had a reasonable basis for believing he was paying a legitimate individual and so fell below the level of care expected of him under the CRM Code.

Should Monzo have done more to try to prevent the scam and protect Mr A?

I've thought about whether Monzo did enough to protect Mr A from financial harm. The CRM Code says that where firms identify APP scam risks in a payment journey, they should provide Effective Warnings to their customers. The Code also says that the assessment of whether a firm has met a standard or not should involve consideration of whether compliance with that standard would have had a material effect on preventing the scam.

I am also mindful that when Mr A made these payments, Monzo should fairly and reasonably also 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). Having considered the payments Mr A made, I think the first payment of £4,000 was sufficiently high in value that it warranted intervention in the form of an effective warning, prior to the payment being processed.

Having considered the warning Monzo presented, I don't think it can be considered effective under the CRM Code. It's not specific to Mr A's circumstances, or impactful in bringing scams to life. I therefore don't think Monzo met its obligations under the CRM Code in providing an effective warning.

However, as mentioned, I also need to consider whether compliance with that standard would have had a material impact on preventing this scam. I don't think the scam Mr A fell victim to was so prevalent at that time that it would be reasonable to expect Monzo to have provided a warning specific to that scam. Instead, I would expect it to have offered a list of payment purposes for Mr A to select from, with an option such as 'payment for goods or services' being the most relevant to Mr A.

Even if Monzo had provided an effective warning on this subject, I don't think the key features of such a scam being highlighted to Mr A would've resonated sufficiently with him to cause him to question the payments he was making. I would've expected such a warning to highlight potential indicators of this *general* scam type, such as pressured sales tactics, payments being too good to be true, or double checking the payee details provided. None of these usual scam indicators were relevant in this case, or would've prevented the scam had Mr A followed them. Therefore, while I consider Monzo ought to have done more here, I don't think this had a material impact on Mr A.

Mr A has said he considers Visa applications to be a common and increasing scam tactic and Monzo should have provided a tailored warning to this scam. While I agree their prevalence is increasing, I've considered that this scam took place around a year ago and I don't think it would be reasonable to say that at this time, Monzo would've been expected to have a warning tailored to this particular scam type.

Once Monzo was made aware of scam payments two and three Mr A made, it contacted the beneficiary accounts to attempt to recover Mr A's funds but unfortunately no funds remained. Monzo hasn't evidenced it making recovery attempts for payment one. However, Mr A didn't log this scam payment with Monzo for more than five months after the scam had taken place. Unfortunately, when scams occur, it's commonplace for the fraudster to move funds almost immediately from the beneficiary account, to avoid potential recovery by the victim's bank. I therefore think it's unlikely any swifter action on Monzo's part would've aided it in recovering any of Mr A's funds.

Overall, while I'm sorry to disappoint Mr A and don't underestimate the impact this scam would have had on him, I don't think Monzo should be held liable for his losses under the CRM Code. And so I don't intend to make an award to Mr A.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 24 September 2024.

Kirsty Upton
Ombudsman