

The complaint

Mrs D is unhappy that Monzo Bank Ltd didn't reimburse her money she lost as a result of falling victim to a fraud.

What happened

As the circumstances of this complaint are well-known to both parties, I've summarised them briefly below.

In April 2023, Mrs D was searching for a job online and came across an advert for a working from home opportunity. Mrs D clicked on the advert and was taken to a messaging platform, where she believed she was talking with a representative of the company which advertised the role. Unfortunately, unbeknown to Mrs D, she was in fact talking with a person intent on defrauding her.

Mrs D was provided with the job description, a task-based role where she would be responsible for the boosting of sales for various businesses in exchange for a commission payment. Mrs D agreed to begin the job and carried out the tasks provided.

Eventually, Mrs D was provided with 'bundles' of tasks which placed her account into a negative balance. She was told that in order to carry out the tasks, she'd need to top up her account with funds. Mrs D said she was reassured she would get this money back. So, over the course of four days, Mrs D made the following payments from her Monzo account:

| | | |
|----|------------|--------|
| 1. | 05.04.2023 | £300 |
| 2. | 05.04.2023 | £30 |
| 3. | 05.04.2023 | £920 |
| 4. | 06.04.2023 | £850 |
| 5. | 06.04.2023 | £850 |
| 6. | 06.04.2023 | £1,310 |
| 7. | 07.04.2023 | £500 |
| 8. | 07.04.2023 | £1,400 |
| 9. | 08.04.2023 | £1,000 |

The final payment of £1,000 on 8 April 2023 was made when Mrs D asked if she could withdraw the balance on the account. She was told that in order to do this, she was required

to pay a 20% security deposit in order to prove liquidity.

From this point, communication with the third-party ceased and Mrs D says she realised she'd been the victim of fraud.

Mrs D contacted Monzo and reported the matter. Monzo looked into Mrs D claims but didn't reimburse her the loss. It found that Mrs D hadn't carried out sufficient steps to verify who she was paying or the legitimacy of what she was paying for. It also pointed out that sufficient warnings about the risk of fraud were provided as part of the payment process.

Mrs D didn't agree with the outcome reached and therefore came to our service for an independent review. An Investigator considered the evidence provided by both parties but concluded Monzo hadn't made an error in declining the claim.

Mrs D remained unhappy with the outcome of her complaint, so the matter has now 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 broad terms, the starting position at law is that banks, such as Monzo, are expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.

But, taking into account relevant law, regulators rules and guidance, relevant codes of practice and what I consider to be good industry practice at the time, I consider it fair and reasonable that Monzo should:

- have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams,
- 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). This is particularly so given the increase in sophisticated fraud and scams in recent years, which firms are generally more familiar with than the average customer,
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment – (as in practice Monzo sometimes does),
- have been mindful of – among other things – common scam scenarios, how fraudulent practices are evolving and the different risks these can present to consumers, when deciding whether to intervene.

Furthermore, Monzo has also agreed to abide by the principles of the Contingent Reimbursement Model (the CRM Code). The starting position under the CRM Code is that firms ought to refund a customer, unless it can establish an exception to reimbursement applies. Such exceptions to reimbursement include (as far as is relevant to this complaint) that Mrs D:

- Ignored an Effective Warning by failing to take appropriate actions in response to such an Effective Warning and/or
- Made the payment without 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

Monzo has relied upon both of these exceptions for not reimbursing Mrs D. It has argued that Mrs D failed to carry out sufficient due diligence checks on both the payee and the reasons for the payment. It has also argued that it provided a proportionate warning to Mrs D before she made the payments. So, I've gone on to consider if Monzo has fairly applied these exceptions in the circumstances of Mrs D's complaint.

Did Mrs D have a reasonable basis of belief?

Mrs D discovered the purported job opportunity after using a search engine and finding an advert. After clicking on this advert, she was directed to a social media messaging platform and began speaking with a purported representative of the business.

The fraudsters claimed to be a registered limited company, but provided no credentials in support of this. Mrs D has said, through her representative, that she searched the Companies House register to check if the business was a legitimately registered business. But Monzo argues that when investigating Mrs D's complaint, she admitted to carrying out no research.

While I can't be certain which of these testimonies is the accurate one, I'm persuaded that the account given by Mrs D closer to the events that had taken place would likely be more reliable. I therefore find it likely in the circumstances of this complaint that Mrs D didn't carry out any research on the business she thought she was speaking with to ensure they were legitimate.

Following on from this, there are numerous other indicators within the evidence presented that support Monzo's assertion that Mrs D didn't have a reasonable basis for believing she was dealing with a legitimate business, or was making payments for genuine services.

Having read the messages sent between Mrs D and the fraudster, I can see she asked the fraudster directly if the job opportunity was a scam. This would indicate to me that Mrs D was aware of this potentially being fraud, yet I can see no evidence that she carried out any due diligence to mitigate this risk. It would appear from the messages provided that she took responses from the fraudster at face value.

There are also further risk indicators that I'm persuaded Mrs D ought to have been alive to when discussing the job opportunity. Examples of these are: a lack of employment contract or terms, a too-good-to-be-true 20% commission payment for carrying out basic tasks and requests for payment from the purported employer – which is an inversion of the normal employer-employee relationship.

Overall, when taking the above into account, I'm persuaded that Monzo were fair in relying upon this exception when considering Mrs D's claim, as I don't find she did have a reasonable basis for believing this was legitimate.

Did Mrs D ignore an effective warning?

I also don't find Monzo has breached its requisite level of care when processing the payments in dispute.

Mrs D opened her Monzo account on the date of the first transaction to the fraudster. A lack of account history prevented Monzo from being able to compare Mrs D's normal account expenditure to the payments she was making to the fraudster – so it would have been difficult for it to say they were out of character or unusual.

Nevertheless, the payments were generally of low value and made over a period of four days. I don't say this to downplay Mrs D's loss here—I understand this is significant to her—but banks such as Monzo have a challenging task in balancing processing payments, without delay, in line with its obligations under the Payment Services Regulations and challenging those they deem suspicious or out of character. Considering how many payments it processes at any given time of these values, and in the absence of any additional risk indicators surrounding the payments, I find it was reasonable it didn't intervene here and question the payments further.

Monzo has confirmed that as part of the payment process, it did deliver a new payee and low friction fraud warning providing some common themes surrounding fraud types. These warnings did tell Mrs D to stop the payment if 'the offer sounds too good to be true', 'you haven't double-checked who you are paying' and warned her that if she didn't know the payee personally that she should seek advice. I find this was a proportionate and reasonable response in these circumstances considering the low risk surrounding the payments.

For the above reasons, I don't find that Monzo has made an error in the way it processed Mrs D's payments.

Did Monzo do what it ought to once it was alerted to the fraud?

I can see Monzo took action when Mrs D reported the fraud to it, which resulted in the recovery of £928 of her funds lost. However, unfortunately, none of the remaining funds could be recovered.

Therefore, I don't find Monzo made an error when attempting to recover Mrs D's funds.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 6 September 2024.

Stephen Westlake
Ombudsman