

The complaint

Mr C complains that Monzo Bank Ltd won't reimburse him after he fell victim to an investment scam.

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

What happened

The background to this complaint is well known to both parties so I won't repeat it in detail here. But briefly, both parties accept that in November 2022, Mr C made contact with an individual he believed to be an investment manager, having received positive recommendations from a close friend who had been investing for some time. Unfortunately, unknown to Mr C at the time, the 'investment manager' was in fact a fraudster.

Mr C was shown information packs on how profits are made and was in regular contact with the fraudster via phone and instant messaging. Mr C initially made payments towards the 'investment' from his main current account, but when this account provider froze a payment, pending further questioning, Mr C opened a Monzo account, on the fraudster's instructions, and began making payments from this new account instead.

Overall Mr C made the following faster payments from his Monzo account towards the scam:

Date	Payee	Value
08/12/2022	1	£2,500
08/12/2022	1	£4,500
09/12/2022	1	£5,900
19/12/2022	2	£5,000
20/12/2022	2	£4,000
20/12/2022	3	£6,000
21/12/2022	3	£7,462
16/01/2023	4	£5,000
17/01/2023	4	£5,000
18/01/2023	4	£5,000
19/01/2023	4	£5,000
20/01/2023	4	£5,000
23/01/2023	4	£5,000
24/01/2023	4	£5,000
25/01/2023	4	£5,000

Mr C's friend received a payment from the scam in November 2022, shortly after Mr C had made his own first payment towards the scam, which reassured Mr C further that this was a genuine investment opportunity. His friend then received a larger pay out on 3 January 2023, which spurred Mr C on with the investment.

Mr C did receive calls from his other account provider, regarding transfers he was making between his own accounts. Mr C did not divulge during these calls that he was making

investment payments. I can see from the instant messaging conversation he's provided with the fraudster that he was told not to mention anything related to investments to his bank, as this would impact their 'strategy'. He's explained the fraudster told him that banks don't like funds being moved outside of their accounts as they then don't benefit from the funds, so Mr C had maintained cover stories provided to him in order to avoid payments being frozen and questioned.

While making payments from his Monzo account, Monzo has confirmed that confirmation of payee (CoP) checks were completed on the recipient accounts, which confirmed the account names provided by Mr C matched the intended account destination for payees one, two and four, while for payee three, this couldn't be verified.

Each time a new payee was set up, Monzo has advised it provided the following warning:

'Could this payment be to someone trying to scam you? If you have any doubts (for example you don't personally know the recipient), get some advice. Bear in mind that once you make a payment, it's almost impossible for us to get the money back.'

In addition, for the first payment to each payee, Mr C was also presented with the following warning:

'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 your money if this is a scam.

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

Mr C has explained that based on the perceived successes of his friend and the professional appearance of the fraudster, he had no concerns at all that this was a scam and therefore proceeded, in spite of warnings provided by Monzo and other banking providers.

However, when Mr C's friend was supposed to receive a further large payout and this didn't happen, Mr C became concerned and attempted to withdraw his own funds. At this point the fraudster became unresponsive on all channels and Mr C realised he'd fallen victim to a scam. He therefore contacted Monzo to raise a scam claim.

Monzo investigated Mr C's claim and considered its obligations to provide him with a refund. 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. Monzo says one or more of those exceptions applies in this case.

Monzo has said Mr C didn't have a reasonable basis for believing he was making legitimate payments. It also said it provided Mr C with an effective warning, prior to making the payments, but he continued in spite of this.

Mr C remained unhappy and referred his complaint to our service. An investigator considered the complaint and upheld it. She thought that while there were 'red flags' in this scam, the reassurance that Mr C had been introduced to the scam by his unwitting friend –

and that this friend appeared to be doing well from the investment – would have overshadowed this. She therefore concluded Mr C did have a reasonable basis for belief when making the payment transfers. She also didn't think that any of the warnings Monzo had provided could be considered 'effective' under the CRM Code.

Monzo disagreed with the investigator's view. It said that Mr C completed no checks himself on the investment, his returns were unrealistic and the documentation provided was inconsistent. It also commented that Mr C had received intervention from other bank account providers but proceeded anyway. On this basis, Monzo considered Mr C had acted with gross negligence.

As Monzo disagreed with the investigator's view, the complaint has been referred 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.

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Having considered this complaint, I am satisfied that:

- Under the terms of the CRM Code, Monzo should have refunded the money Mr C lost in full. I am not persuaded any of the permitted exceptions to reimbursement apply in the circumstances of this case.
- In the circumstances, Monzo should fairly and reasonably refund the money Mr C lost.

I've carefully considered Monzo's representations about whether Mr C acted without a reasonable basis for believing he was making a legitimate transaction. But they do not persuade me to reach a different view. I accept that Mr C did not conduct his own research into the scam, however, I think it's important to acknowledge that individuals in everyday life aren't expecting to be scammed and aren't alive to the possibility of being scammed in the same way as those considering these types of complaints each day. Therefore, considering that Mr C's friend had been investing for some time, was regularly showing Mr C his investment platform and the 'profits' he was making, I can understand why Mr C may have had doubts about proceeding and the possibility of losing money, rather than necessarily being concerned that this was a scam and feeling the need to verify the opportunity.

I can understand why the personal recommendation was powerful in overcoming other elements of the scam that may otherwise have caused concern, particularly once Mr C's friend successfully received a withdrawal. Again, while to a trained fraud advisor's eye this is a known tactic to further draw in victims, without this prior knowledge I can understand why this would make an individual feel secure about the platform they were using.

For these reasons, I find Mr C did have a reasonable basis for believing he was making legitimate payments (and it follows that I also don't think he acted with gross negligence). I therefore I consider he is entitled to reimbursement for his losses under the provisions of the CRM Code.

Considering the warnings Mr C received from Monzo, I don't consider these were 'effective' under the CRM Code. They weren't specific to the scam he was falling victim to, not

highlighting any of the key hallmarks of investment scams, and therefore wouldn't have been impactful to his circumstances. I've taken into account that even if Monzo had made further attempts to intervene on these payments, it's possible it wouldn't have uncovered the nature of this scam, based on the fraudster's advice to keep this hidden from the banks. However, I think the reasons Mr C was given for concealing the truth weren't irrational and I can understand, in the circumstances, why he followed the fraudster's advice. There was no intervention from any of Mr C's banking providers that touched upon investment scams to know whether this would have impacted Mr C's decision to proceed, but in any event, the CRM Code states that where a customer has met their obligations, they should be provided with a full refund of losses. This is not determined by whether or not the bank had any ability to prevent the scam from occurring. As I consider Mr C did meet his obligations, it follows that I think he is entitled to full reimbursement.

My final decision

My final decision is that I uphold Mr C's complaint and I direct Monzo Bank Ltd to reimburse Mr C:

- £75,362 he lost to the scam from his Monzo account
- 8% simple interest from the date Monzo declined Mr C's claim under the CRM Code until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 11 November 2024.

Kirsty Upton
Ombudsman