

## The complaint

Mr L complains that Monzo Bank Ltd won't refund the money he lost when he was the victim of a scam.

## What happened

In February 2023, Mr L was contacted by someone on a social media platform who said they worked for an investment company. He was told the company could generate a significant profit for him if he invested, so he agreed and made a number of payments from his Monzo account to account details the person gave him. Mr L was also then asked to move some money through accounts he held with cryptocurrency exchanges, as a favour to the investment company – which he also agreed to do.

I've set out the payments Mr L made from his Monzo account below:

Date	Details	Amount
24 February 2023		£600
24 February 2023		£600
25 February 2023	To 1 <sup>st</sup> cryptocurrency exchange	£200
<b>25 February 2023</b>	<b>To 1<sup>st</sup> cryptocurrency exchange</b>	<b>£250</b>
<b>25 February 2023</b>	<b>To 1<sup>st</sup> cryptocurrency exchange</b>	<b>£250</b>
<b>27 February 2023</b>	<b>To 1<sup>st</sup> cryptocurrency exchange</b>	<b>£250</b>
<b>27 February 2023</b>	<b>To 1<sup>st</sup> cryptocurrency exchange</b>	<b>£250</b>
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<b>27 February 2023</b>	<b>To 1<sup>st</sup> cryptocurrency exchange</b>	<b>£250</b>
<b>28 February 2023</b>	<b>To 2<sup>nd</sup> cryptocurrency exchange</b>	<b>£250</b>
<b>28 February 2023</b>	<b>To 1<sup>st</sup> cryptocurrency exchange</b>	<b>£250</b>
<b>28 February 2023</b>	<b>To 2<sup>nd</sup> cryptocurrency exchange</b>	<b>£250</b>
1 March 2023	To 1 <sup>st</sup> cryptocurrency exchange	£250
1 March 2023	To 1 <sup>st</sup> cryptocurrency exchange	£250
1 March 2023	To 1 <sup>st</sup> cryptocurrency exchange	£100
8 March 2023	To 1 <sup>st</sup> cryptocurrency exchange	£250
8 March 2023	To 1 <sup>st</sup> cryptocurrency exchange	£250

Unfortunately, we now know the investment company was a scam. The scam was uncovered after the company told Mr L he couldn't withdraw the money he was told he had made until he paid more money in, and the person he was speaking to eventually stopped replying to him. Mr L then reported the payments he had made to Monzo and asked it to refund the money he had lost.

Monzo investigated but said it didn't think Mr L had taken enough steps to check who he was paying and what he was paying for. So it didn't agree to refund the money he had lost. Mr L wasn't satisfied with Monzo's response, so referred a complaint to our service.

One of our investigators looked at the complaint. They didn't think Monzo should have been expected to prevent Mr L's loss as, even if it had warned him about the payments he was making, they thought it was likely he would have continued to make them anyway. They thought Monzo should pay Mr L £150 as compensation for delays when dealing with his complaint, but didn't think Monzo should have to refund the money Mr L had lost. Monzo accepted this, but Mr L disagreed with our investigator so the complaint has been passed to me.

### **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.

The fourth to fifteenth payments Mr L made, highlighted in bold in the table above, were funded by credits into Mr L's accounts from third parties when Mr L was asked to move this money through accounts he held with cryptocurrency exchanges. And, as these payments were funded by credits into his accounts by third parties, Mr L hasn't suffered a loss by transferring this money on. And so I don't think it would be fair to require Monzo to refund any of these payments to him, and I've focused my decision on whether it should refund any of the remaining payments.

#### *Are the payments Mr L Made covered by the CRM code?*

I've first considered whether the CRM code applies to all the payments Mr L made as a result of this scam.

The Lending Standards Board Contingent Reimbursement Model (the CRM code) is a voluntary code which Monzo has said it is committed to applying the principles of. It sets out a number of circumstances in which firms are required to reimburse customers who have been the victims of certain types of scam. But it only covers payments where a customer paid funds to another person for what they thought were legitimate purposes, but which were in fact fraudulent.

In this case, the first two payments Mr L made as a result of this scam appear to have been bank transfers directly from his Monzo account to bank details the scammer gave him. And so I think these payments are covered by the CRM code.

But the remaining payments Mr L made were sent to an account he held with a cryptocurrency exchange. So these payments weren't sent to another person, and the way the CRM code is written means I don't think it applies to these payments.

#### *The payments covered by the CRM code*

As I explained above, the first two payments Mr L made are covered by the CRM code. And this code requires firms to reimburse customers who have been the victim of authorised push payment scams, like the one Mr L fell victim to, in all but a limited number of circumstances. And it is for the firm to establish that one of those exceptions to reimbursement applies.

Under the CRM code, a firm may choose not to reimburse a customer if it can establish that:

- The customer ignored an effective warning in relation to the payment being made
- The customer made the payment without a reasonable basis for believing that:
  - o the payee was the person the customer was expecting to pay;
  - o the payment was for genuine goods or services; and/or
  - o the person or business with whom they transacted was legitimate

There are further exceptions within the CRM code, but these don't apply here.

Monzo has argued that Mr L didn't have a reasonable basis for belief when making these payments. And while I appreciate that he has been the victim of a cruel scam, I also think there were a number of things about what has happened that should have caused him significant concern.

Mr L says he was approached about the investment by someone on a social media platform. All of the communication he had with the person who approached him, and with the investment company, appears to have been through the social media platform. And he doesn't appear to have been sent any other documentation or confirmation of the investment he was making. But this isn't how I would expect a legitimate company to approach potential clients, and I wouldn't expect a legitimate company to only communicate in this way. So I think being approached in this way and this kind of communication should have caused Mr L concern about whether the investment company was legitimate.

Mr L doesn't appear to have done any independent checks into who the investment company was. And he doesn't appear to have been given a particularly clear explanation or had a particularly clear understanding of what he was investing in or how the profit he was told he would make would be generated. And I think it would be reasonable to expect Mr L to have done more checks and made sure he had a clearer understanding of the investment, particularly given how he was approached and the lack of documents he received.

Mr L also says he was promised he would make £6,000, within 24 hours, from a £600 investment. And I think this guaranteed very high profit, particularly in such a short period of time and with no risk, should have caused Mr L significant concern that what he was being told was too good to be true.

I sympathise with the position Mr L has found himself in. But I think there were a number of things here which should have caused him significant concern. And I don't think he did enough, or that the seemingly genuine information he was given should have been enough, to satisfy those concerns. So I think Monzo has established that he made the payments without a reasonable basis for belief that they were genuine.

Monzo has therefore established that one of the exceptions to reimbursement under the CRM code applies here, and it does not have to refund Mr L all the money he lost.

Mr L may still be entitled to a refund of some of the money he lost if Monzo didn't meet its obligations under the CRM code – one of which is to provide effective warnings when it identifies a scam risk. But as the first two payments Mr L made here weren't for particularly large amounts and didn't leave the balance of his account at particularly unusual levels, I wouldn't have expected Monzo to identify a scam risk here. So I don't think it would be fair to say Monzo had failed to meet its obligations under the CRM code in not providing an effective warning before Mr L made these payments.

And so I don't think Monzo is required under the CRM code to refund the money Mr L lost as a result of the first two payments he made here.

### *The payments not covered by the CRM code*

As I explained above, the remaining payments Mr L made were made to an account he held with a cryptocurrency exchange and so aren't covered by the CRM code. And Mr L accepts he made these payments himself. So while I recognise that he didn't intend for the money to ultimately go to scammers, he did authorise these payments. And so the starting position is that he is liable for the payments and Monzo doesn't have to refund them.

However, taking into account the law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I think Monzo should fairly and reasonably:

- Have been monitoring accounts and any payments made or received to counter various risks, including anti-money laundering, countering the financing of terrorism, and 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 banks 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, before processing a payment, or in some cases declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

So I've also considered whether Monzo should have identified that Mr L was potentially at risk of fraud as a result of these payments, or otherwise done more to protect him.

The third payment Mr L made as a result of the scam wasn't for what I'd consider to be a particularly large amount, or for an amount where I'd expect Monzo to have identified it as suspicious based on its size alone. It didn't leave the balance of Mr L's account at a particularly unusual level. And it was the first payment to a cryptocurrency exchange and wasn't obviously connected to the previous two payments Mr L had made, so I don't think it formed a pattern of payments I'd have expected Monzo to identify as suspicious either.

And so I don't think it was unreasonable that Monzo didn't take any further steps or carry out any additional checks before allowing this payment to go through, and just followed Mr L's instructions and made the payment.

By the time Mr L tried to make the sixteenth payment here, for £250 on 1 March 2023, I think Monzo should have identified a risk. At that point Mr L had tried to make fourteen payments to cryptocurrency exchanges in five days, and all for exactly the same amount. Monzo should have been aware around this time that that cryptocurrency related transactions

carried an elevated risk of being related to fraud or a scam. And this pattern of payments is similar to that often seen when people are falling victim to a scam.

So I think Monzo should have identified a risk by the time Mr L tried to make this sixteenth payment and provided him with a tailored written warning about cryptocurrency investment scams and their key features.

But, even if Monzo had provided Mr L with the warning I think it should have done, I don't think this would have prevented Mr L from making the payment or losing the money he did.

From what I've seen of his communication with the scammer, it appears that at one point Mr L tells them two of his bank accounts are frozen – but he is still trying to make payments towards the investment in other ways. And at another point, a payment Mr L is trying to make from an account he holds with another bank is delayed and the scammer asks him to make it from his Monzo account instead – which Mr L then appears to do.

So as Mr L appears to have taken action and followed the scammer's instructions to continue making payments despite other intervention from other banks he held accounts with, I think it's likely he would have continued making payments even if Monzo had shown him the written warning I think it should have done. And so I don't think anything I would have expected Monzo to have done would have prevented the loss Mr L suffered.

I therefore don't think it would be fair to require Monzo to refund these payments Mr L made.

### *Summary*

I don't think Monzo is required to refund the payments Mr L made which are covered by the CRM code. And I don't think it would be fair to require Monzo to refund the payments Mr L made which aren't covered by the CRM code either.

I appreciate that Mr L has lost a significant amount of money and that my decision will come as a disappointment to him. But I can only look at Monzo's responsibilities and, for the reasons I've set out above, I don't think it would be fair to require Monzo to refund any of the payments he made.

### *Customer Service*

There were significant delays from Monzo in both communicating the outcome of its initial investigation to Mr L, and then in providing him with referral rights and a final response letter so that he could bring his complaint to this service. And these delays, and having to chase it a number of times for a response, caused Mr L significant distress and inconvenience.

From what I've seen I think Monzo should therefore pay Mr L £150, as I think this award is fair and reasonable compensation for the distress and inconvenience this poor customer service caused him.

### **My final decision**

For the reasons set out above, I uphold this complaint in part and require Monzo Bank Ltd to:

- Pay Mr L £150 compensation, if it has not already done so

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 29 August 2024.

Alan Millward  
**Ombudsman**