

The complaint

Mr C complains that Monzo Bank Ltd won't refund the money he transferred to a fraudster as the result of a scam.

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

What happened

On 24 June 2024 I issued my provisional decision on this complaint. I wanted to give both parties a chance to provide any more evidence and arguments before I issued my final decision. That provisional decision forms part of this final decision and is copied below.

Both parties are aware of the circumstances surrounding this complaint, so I won't repeat them in full here. But briefly, both parties accept that in March 2023, Mr C took out a loan, using a credit intermediary that I'll refer to as 'L'. A couple of days later, Mr C has explained he received a call from an individual claiming to work for L. Unfortunately unbeknownst to Mr C, the individual was in fact a fraudster. The fraudster told Mr C that she was aware that Mr C had taken out a loan, and that if he decides he wishes to repay some of the loan early, he can make a payment directly to her and that she'll apply the funds to his loan account. Mr C has explained he'd taken the loan out for a trip, but had realised soon after that he didn't need as much money as he thought he would – so was looking to pay some of the loan back. Mr C therefore took details of the fraudster's personal account. He also checked the telephone number he'd been called from and could see it was L's genuine number (unaware at the time that fraudster's can 'spoof' genuine firm's telephone numbers). Therefore, later that day he made two payments to the fraudster by faster payment – one for £3,400, then a second two minutes later for £3,800. Mr C says he was told by the fraudster that any early repayments would show on his credit score account the following month. However, when this didn't happen, Mr C says he realised he'd been the victim of a scam and contacted Monzo to make a 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 of it. The CRM Code requires firms to reimburse customers who have been the victims of APP scams 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 genuine payments. Monzo considers Mr C ought to have done more checks to make sure the person he had spoken to and was making the payments to was genuine. However, Monzo did acknowledge that there were delays in providing a final response to Mr C and awarded £100 in compensation.

It also contacted the beneficiary bank to attempt to recover Mr C's money, but unfortunately no funds remained in the account.

Mr C remained unhappy and referred his complaint to our service. An investigator considered his complaint and upheld it. She thought that, in the circumstances of the complaint, Mr C's actions had been reasonable and therefore didn't consider there were grounds to refuse his claim under the CRM Code. She also considered the delays in Monzo's consideration of Mr C's complaint has caused financial and emotional distress to Mr C and therefore also recommended a further £100 in compensation.

Monzo disagreed with the investigator's view. It considered that the call Mr C had received from the fraudster only lasted a minute, and didn't consider this allowed time for the fraudster to have gained enough trust to warrant Mr C sending funds of this size. Monzo also said that as Mr C had ended the call when he sent the funds, there was no pressure on him to make the payments and Mr C could therefore have checked with his actual loan provider what the process was for early repayments. Monzo also thought it ought to have caused concerns that Mr C was being asked to make his payment to a personal, rather than a business account.

As Monzo disagreed with the investigator's view, the complaint has been referred to me for a final decision.

What I've provisionally 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, I've reached a different outcome to the investigator and don't intend to uphold Mr C's complaint. I know this will come as a disappointment to Mr C, so would like to explain why.

As mentioned, Monzo has agreed to act in the spirit of the Lending Standards Board Contingent Reimbursement Model (CRM) Code, although it isn't a signatory of it. The CRM Code requires firms to reimburse customers who have been the victims of APP scams. Therefore, the first consideration when determining whether a customer should be reimbursed under the Code, is whether the evidence available supports the claim that they fell victim to a scam.

In the case of this complaint, I think there are some unusual factors to the claim that Mr C hasn't provided sufficient answers to:

- Mr C received his loan funds of £12,000 on 7 March 2023. The spoofed call he's provided evidence of was on 8 March 2023, so the following day. Although not impossible, I think it's highly unusual for someone to request a loan of this value, only to decide the following day they in fact need less than half of the amount applied for.*
- For the premise of a scam to be a successful one, it of course needs to be applicable to a sufficient proportion of people that a fraudster contacts. This scam in that sense is very niche – it would require the victim to have not only recently applied for a loan, but specifically through the credit intermediary the fraudster was purporting to be from. The only way I can see this as plausible as a scam tactic is if there was a form of leaked data from the credit intermediary in question. But even then, for the scam to be effective, the fraudster would have to contact people who have just taken a loan out, asking if they want to immediately repay some. I think the likeliness of this being successful in the vast majority of cases would call into question how likely a premise for a scam this is.*

- *In addition, as mentioned previously, the evidence of the call Mr C provided between him and the spoofed number shows that the call lasted only around one minute. Again, while it's not impossible for the relevant information for a bank transfer to be provided in this time, I do think it calls into question how likely this is to be done in a way that would allow any opportunity for the fraudster to socially engineer the call, or make it appear plausible that the call was from a financial firm. For example, I think it would require there to have been no data security processes, no confirmation that Mr C had recorded the account details correctly, little to no explanation of why an individual's account details were being provided (rather than a business'), or opportunity for the fraudster's account name to be spelt phonetically etc. There also appears to have been no reference number provided by the fraudster, in order to link Mr C's perceived loan repayment to the correct account.*
- *When making the payment to the fraudster, Mr C has used a loan reference referring to a new car. When questioned why he did this, he's explained that his parents periodically go through his accounts to offer financial advice and he didn't want them to know he had taken out a loan. However, the loan he took out was credited to this same account and can therefore be seen on his statement, which I consider calls into question the plausibility of this explanation.*
- *As part of my investigation into Mr C's complaint, further enquiries were made with the receiving bank where Mr C's funds were sent. The beneficiary bank confirmed Mr C's complaint is the only one that has been made about the account. It also appears that enquiries were made by the beneficiary account provider regarding the source of funds being received, and that evidence in the form of a bank statement was provided from the payee's account (Mr C's). When questioned on this, Mr C has said he does not know how the fraudster would have a copy of his bank statement and that this has caused him further concern. Based on his call with the fraudster being only a minute long, I don't think there's a realistic opportunity for Mr C to have divulged sufficient information for access to his personal accounts to have been obtained by the fraudster either, which calls into question how this was obtained.*

Therefore while I'm sorry to disappoint Mr C, I don't think there is sufficient evidence to support his claim that he has fallen victim to a scam - and I'm therefore not minded to recommend Monzo reimburses any of the funds he sent.

Even if I was to conclude that this was a scam, I would need to consider whether any exceptions to reimbursement under the Code apply.

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.*

For reasons similar to what I've covered above (the scam call having insufficient opportunity for social engineering and paying an individual account, rather than a business, with no

relevant reference number for the payment), I don't think Mr C had a reasonable basis for believing he was making a payment to a legitimate person.

When considering whether Monzo provided an effective warning, businesses can only provide warnings against common scams. As mentioned, this scam was very niche - and I don't think it would be realistic to have expected Monzo to have provided an online warning that would be specific enough to have stopped Mr C from proceeding. I also don't think any intervention beyond an online warning was necessary, given the value of the payments being made.

On this basis, even if I were to consider Mr C's claim under the CRM Code, I would reach the same conclusion that I don't think Monzo is required to reimburse him.

My provisional decision

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

Monzo had no further comments to add following my provisional decision. Mr C disagreed with the provisional decision. In summary, he said:

- Monzo has admitted it didn't meet its own standards for customer service and should be held at least partially liable.
- Mr C's overall account activity ought to have caused Monzo to stop Mr C's account to further question Mr C.
- While it's recognised that this is a niche scam, Monzo has agreed to act in the spirit of the CRM Code and therefore should have provided Mr C with an effective warning.

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.

I think it's worth first highlighting that my key finding in this case was that there is insufficient evidence that Mr C has fallen victim to a scam. While I covered briefly why I would not uphold the case regardless of this, for my decision on this case to change I would first need to be persuaded that a scam has occurred here. Mr C has not provided any further evidence on that point, and so my finding is still that the evidence on this aspect alone is insufficient to uphold his complaint. However, for completeness, I've covered some of Mr C's concerns raised below.

While I agree that there were certainly delays and customer service failings with Monzo providing its response to Mr C's complaint, in order for me to determine that this makes Monzo liable for Mr C's losses resulting from a scam, I'd need to be satisfied that its delays in some way impacted its ability to recover Mr C's funds. As I've mentioned, in the particular circumstances of this case, I don't think the evidence is sufficient to establish that Mr C *has* been the victim of a scam. But nevertheless, Mr C's funds had been removed from the recipient account before he raised the scam claim with Monzo. Therefore, any inaction on Monzo's side hasn't impacted its ability to recover money belonging to Mr C.

Considering action taken by Monzo during the payment process, I don't think the payments were so significant or out of character that it was necessary for Monzo to block the payments, pending further questioning. And as I covered in my provisional decision, I don't think it would be realistic for Monzo to have provided an online warning to Mr C that would've

impacted his decision making when sending these funds. Even if Monzo had asked Mr C the purpose for payment, the premise of these payments is so unlike any typical scams currently seen, I don't think the warning Mr C would've been provided with would've caused him to re-think his decision to send these funds (and I don't think any intervention beyond an online warning was warranted in these circumstances).

For these reasons, while I'm sorry to disappoint Mr C, my decision to not uphold his complaint remains the same and I don't consider Monzo is liable to refund any of his losses.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 August 2024.

Kirsty Upton
Ombudsman