DRN-4936958

The complaint

A company, which I'll refer to as R, complains that Monzo Bank Ltd ("Monzo") won't reimburse the funds it lost to a scam.

Mrs W, who is a director of R, brings the complaint on R's behalf. As Mrs W fell victim to the scam, for ease I have referred to her throughout this decision.

What happened

On 6 March 2024, Mrs W received a text message from whom she believed to be her credit card provider, asking her if she'd made a transaction on the account. Mrs W replied "N" to this message as it was not a transaction she'd made.

Following this, Mrs W received a call purporting to be from that same provider. She confirmed the transaction wasn't one she'd attempted to make and, she was talked through the process of cancelling her card and issuing her with a new one. During this call, Mrs W was asked about other accounts she held, as she was told her credit card provider would send a message to all other banks to alert them to the fraud. Mrs W shared that she held an account with Monzo and another that she held with a different bank, which I'll refer to as H.

Mrs W then received another call from someone pretending to be from H, saying her account had been compromised and that she needed to transfer her funds urgently. She was told to move her money to her Monzo account.

Mrs W moved funds from the account she held with H to the business account she held with Monzo as she was told this was the safest way. She was then told her Monzo account had been compromised and was not safe. So, from Monzo, Mrs W then made payments to what she thought was a new temporary bank account with H.

As part of this scam, Mrs W made four payments from the Monzo business account totalling £6,801, to a third-party account. Mrs W realised she'd been the victim of a scam when the caller hung up after the payments were made. Mrs W reported the matter to Monzo on 7 March 2024. Monzo contacted the receiving bank, but no funds remained.

Monzo is not a signatory of the Lending Standards Board's Contingent Reimbursement Model (the CRM Code) but has agreed to adhere to it. This means Monzo has made a commitment to reimburse customers who are victims of authorised push payment scams except in limited circumstances. Monzo considered R's complaint under the CRM Code but declined to refund it, as it said Mrs W hadn't taken enough steps to ensure that the person she was speaking with on the phone was legitimate.

Mrs W brought the complaint to our service and one of our Investigators looked into it. She upheld Mrs W's complaint. She didn't think Monzo had established that Mrs W didn't have a reasonable basis for believing that she was making legitimate payments to a safe account. So, she asked Monzo to refund the money lost (less any recovered funds) and to pay 8% interest from the date the claim was declined under the CRM Code until the date of settlement.

Our Investigator also considered Mrs W's concerns around the service she received, in particular her unhappiness with being unable to speak with someone at Monzo - that contact was online, the claim was delayed, and that she wasn't made aware of the complaints process. While our Investigator recognised Mrs W's frustrations, she explained that it wasn't within our remit to comment on how a business chooses to run and that having considered all of the circumstances, she didn't think these aspects had prevented Mrs W from bringing the complaint to this service and so didn't find Monzo needed to pay any compensation.

Monzo didn't agree. It maintains that Mrs W hadn't taken enough steps to ensure who she was speaking with on the phone was legitimate. It said Mrs W failed to do any reasonable checks such as verifying the caller or checking her account to establish if fraudulent activity had taken place. It also added that whilst the Confirmation of Payee (CoP) result was a match, the payment was made to a personal account with another banking provider and so there was no basis to believe that the different banking provider Mrs W believed she was speaking with would ask her to make a payment to an external bank that had no relation to her.

As no agreement has been reached the complaint has 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.

Having done so, I'm satisfied that:

- Under the terms of the CRM Code, Monzo should have refunded R the full amount it lost. And 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 R lost.

- Monzo should pay 8% interest from the date it should have refunded R under the CRM Code up until the date of settlement.

In this case, Monzo have said it didn't detect the payments as high risk and, therefore, no warnings were warranted. So, I don't need to consider whether Mrs W ignored an effective warning.

I've turned my attention to Monzo's representations about whether Mrs W had a reasonable basis for belief.

Did Mrs W have a reasonable basis for belief?

I have carefully thought about Monzo's representations about whether Mrs W had a reasonable basis for belief. But they do not persuade me to reach a different view. I will now explain why.

I'm mindful that in these types of scams, they are designed to generate and instil panic in consumers. I'm also mindful that in this case, Mrs W had already received a text message and phone call in relation to another of her accounts being compromised prior to the subsequent call that led to her making the payments. I'm persuaded the second call Mrs W received likely would've caused Mrs W further concern and added to her belief that her accounts were/might be compromised. I don't find this unreasonable in the circumstances. I say this, as I'm mindful that Mrs W has explained to us that she was in the midst of opening a business and was under a lot of pressure at the time and so I don't think it unreasonable that she would've been concerned about the safety of her funds.

I note in Monzo's representations it commented it had not seen any evidence that H's impersonation was particularly complex or believable. However, I don't agree. In this case, Mrs W received a text message from whom she believed to be her credit card provider, she then received a phone call purporting to be from the credit card provider followed by a further call from H. The contact from the multiple businesses involved added layering to the scam which I think would've added to Mrs W's basis for belief in the circumstances. As I've said above, Mrs W initially received a message from whom she believed to be her credit card provider. Whilst Monzo has highlighted the number was an unknown mobile number, I'm persuaded the contents of the message she received is what Mrs W would've focused on. In the absence of any obvious errors within the text message or factors that ought to have flagged, I'm not persuaded based on what I've seen, that Mrs W ought fairly and reasonably to have had concerns that the initial message might not genuinely be from her credit card provider. What followed then was a call from the credit card provider. Mrs W recollects that the process for cancelling the card and issuing a new one was discussed and that all seemed genuine. Within this call Mrs W was told a message would be sent to her other banking providers to make them aware. Therefore, when Mrs W received a call purporting to be from one of the other banks' she held accounts with, this wouldn't have come out of the blue.

Mrs W said the fraudster went through security with her – her address and date of birth and that he also knew she held bank accounts with the bank he was purporting to be calling from and with Monzo. I think this layering would've further added to the sophistication of the scam Mrs W fell victim to and to her belief that her accounts were compromised. In the moment and amongst the panic that her money might be at risk, I don't think it unreasonable that Mrs W believed she was speaking with her genuine bank.

I am mindful, Monzo has made the point that the text message Mrs W initially received related to an account where the available balance didn't belong to her - as it was a credit card and therefore there was no risk of a loss of funds. I've thought carefully about this, but I don't agree. I think a consumer would fairly and reasonably be concerned about spending on their account even if it was a credit card. I'm not persuaded the differences between a credit card account and a current account for example, would fairly and reasonably cross a consumer's mind when faced with spending on their accounts that has not been made by themselves. I find it more likely that a consumer would be concerned about the risk of the available balance being spent and the chances they'd be held liable to repay these funds. So, I don't find it unreasonable that the initial message Mrs W received caused her concern or was one of the factors that led to her basis for believing that her funds and accounts had been compromised.

Monzo has further highlighted that whilst the CoP result was a match, it also confirmed that the payments were going to a personal account with an external bank - an external bank that had no relation to Mrs W. I've thought carefully about what both Monzo and Mrs W have told us about the payments being made to a third-party account. Mrs W says she was told the payments were being made to a temporary account and as Monzo has shown, Mrs W received a CoP match. Having thought carefully, I do think being asked to pay a third-party account was a factor that ought to have given Mrs W pause for thought and, given that she's told us she did ask why the account wasn't in her name I'm persuaded that it did. Mrs W says when she questioned the fraudster, he told her to listen and to let him finish and said she needed to act urgently. Here it would seem the fraudster used social engineering techniques to distract Mrs W from what had been concerning her and pressured her to act without further thought. Whilst I think this was somewhat of a red flag, when taking all the circumstances in the round into account, I think it more likely than not that the fraudsters actions would've added to the urgency of the situation, and would've reinforced to Mrs W that she was making payments to who she believed she was supposed to be sending her funds to.

Monzo has raised that the payments were going to an account with an external bank and not to an account with H whom Mrs W believed she was speaking with. When asked, Mrs W has explained that she doesn't recall seeing the bank when making the payments. Mrs W told us it was a new online account, and she wasn't familiar with the way it worked and so it is possible that she missed it. I don't find this implausible when considering all the circumstances of this case. I say this because, there were a number of factors at play here when Mrs W made the payments. Mrs W more likely than not would've been given a sort code and account number to enter when making the payments – rather than a bank name. And from what I've seen and been told, the call between Mrs W and the fraudster was lengthy – over an hour. Mrs W was in the process of opening a business at the time and from what I've been told was working at getting this ready for opening, add to this the initial communication via message and phone call about her credit card account being compromised and the pressure to act, I'm persuaded Mrs W genuinely believed her funds were at risk and that her actions were those of a person trying to protect her money and followed the guidance of whom she thought was someone from H.

Importantly, I don't think Monzo has given enough consideration to the fact the fraudster had created an environment where Mrs W thought she had to act quickly to protect her money and had convinced her through multiple layers - initial message, calls from multiple banking providers that her accounts were at risk and that she was talking to one of her banking providers.

I can appreciate there are some aspects of this complaint, which in the cold light of day ought to have caused Mrs W pause for thought. As I've said above – the payments being made to a third party and Mrs W's comments around the caller speaking over her and silencing her at points. But I have to keep in mind that that this didn't happen in the cold light of day. I'm mindful that the convincing nature of these scams can often have a negative effect on a person's thought process and make them take steps that, they might not otherwise take.

And as I've already explained, in the circumstances, I don't think Mrs W's belief was unreasonable. I think in similar circumstances a reasonable person would have acted in the same way Mrs W did here.

This is a finely balanced case. But, in all the circumstances, I think Monzo should fairly and reasonably have refunded Mrs W under the provisions of the CRM Code.

For completeness, I have also considered Mrs W's concerns around the service aspects. But for broadly the same reasons given by our Investigator, I don't think any poor service prevented Mrs W from bringing her complaint to this service. It's important to say that my role isn't to punish Monzo, and our service isn't that of a regulator – which means it is not within our remit to tell a business how it ought to run. It follows that I don't make any award in relation to this point.

Putting things right

To resolve this complaint Monzo should:

- Refund the payments made as the result of this scam; and

- Pay 8% interest on that amount from the date the claim was declined to the date of the settlement.

My final decision

For the reasons I've explained, I uphold this complaint. Monzo Bank Ltd should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 6 August 2025.

Staci Rowland
Ombudsman