

The complaint

Mr O complains about Monzo Bank Ltd.

He would like Monzo to refund him the money he has lost as a result of a scam.

What happened

The details of what happened are well known to both parties so I won't repeat them here, but in summary, Mr O's brother was speaking with an individual who owned shares in the gym he worked at and was presented with an investment opportunity in purchasing high end jewellery which would be sold to high-net-worth individuals.

Mr O was keen to take up the opportunity for himself, having seen his brother be successful in the investment, and met with the individual at a luxury hotel, near to the café the individual owned.

Mr O was persuaded that the opportunity was genuine and signed an agreement. He then sent the individual £20,000 directly, and a further £10,000 which was initially paid to his brother who passed it on to the individual.

However, the supposed profit didn't materialise, and after a number of excuses Mr O realised, he had been scammed, and searching online came across details regarding the individual who had previously been involved in similar scams and had spent time in prison.

Mr O complained to Mozo, but it didn't uphold his complaint, so he brought his complaint to this Service.

Our investigator looked into things, and initially thought that the matter was a civil dispute – but after looking at the complaint again, found that Mr O had been scammed, and recommended Monzo refund him in full.

Monzo disagreed. While it said it accepted that Mr O had been the victim of a scam, it didn't think that Mr O had a reasonable basis for believe the investment was genuine and so would not refund him the money he had lost.

As no resolution was reached, the complaint has been passed to me to make 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 have decided to uphold this complaint for broadly the same reasons as our Investigator. I'll explain why.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

The starting point for my considerations is that, under the Payment Services Regulations 2017 and the terms of her account, Mr O is liable for transactions he has carried out himself. But Monzo have agreed to consider claims in line with the Lending Standards Board Contingent Reimbursement Model CRM Code (CRM Code), and also have a longstanding obligation to be on the lookout for unusual and out of character transactions which might indicate their customer is at risk of financial harm from fraud.

There is no dispute here that Mr O was tricked into making the payments. The CRM Code requires firms to reimburse customers who have been the victims of Authorised Push Payment (APP) scams like this, in all but a limited number of circumstances which I have set out below:

- 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.

There are other exceptions that do not apply to this case.

It is for Monzo to establish that it can rely on one of the exceptions to reimbursement set out under the CRM code.

Monzo says that Mr O didn't have a reasonable basis for belief in the supposed investment – it says that he made the payments without doing any due diligence into what he was doing. It says that the opportunity wasn't realistic, and that no genuine investment would guarantee such a return. It also says that the location Mr O met the scammer near wasn't a 'phone shop' owned by the scammer – so this should have alerted him to the scam.

Finally, it said that had Mr O googled the scammer prior to making the payment, this would have brought up numerous articles relating the individual having previously committed fraud.

However, I disagree. Mr O was introduced to the scammer by his brother, as a person that owned shares in the gym he worked in. Mr O's brother had also previously made an apparently successful investment with this individual. So, I can understand why Mr O initially trusted that the individual was genuine. His own brother had already had returns and appeared to have a link with the individual through something as seemingly trustworthy as his place of work.

Mr O also met the individual in person – and went to a hotel next to the café that the individual owned. I do not understand Monzo's point about the 'phone shop' – as Mr O has never said it was this type of place. I have looked up the café on Companies House, and it appears that the individual's wife is listed as a director – so I don't know why this would have been a red flag to Mr O.

While I do accept that the return agreed was high – this was not a usual investment, but dealing in high end luxury jewellery, and so I don't think that this would have alerted Mr O to the scam, especially when his brother had already been successful.

I am also aware that there is a lot of information about the individual available online, but the individual was known to Mr O through his brother – and he met him in person. So, while it may have been prudent for Mr O to have searched for the individual online, I can understand why Mr O didn't do this at the time.

Overall, I am satisfied that Mr O had a reasonable basis for belief, and Monzo should refund him under the CRM code which it has agreed to apply.

Putting things right

Monzo Bank Ltd should refund Mr O the payments he made as part of the scam. On top of this, it should also pay Mr O 8% simple interest from the date it declined his claim under the CRM code.

My final decision

I uphold this complaint. Monzo Bank Ltd should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 11 February 2025.

Claire Pugh
Ombudsman