

The complaint

Mr A complains that Monzo Bank Ltd refused to refund him after he fell victim to a scam.

What happened

In May 2024 Mr A fell victim to a scam after attempting to buy three iPhones from a fraudster who was posing as a seller on a social media platform.

Mr A made seven separate payments towards the iPhones and lost £3,170 to the scam. He realised he'd been scammed when the iPhones failed to be delivered as promised.

Mr A reported the scam to Monzo. Monzo managed to recover £14.54 from the recipient account but declined to refund Mr A under the provisions of the CRM Code. It said it warned Mr A and concluded he didn't have a reasonable basis for believing the payments he was making were legitimate.

Unhappy, Mr A referred his complaint to us. An investigator looked into Mr A's complaint and upheld it in part. She agreed with Monzo that Mr A didn't have a reasonable basis for believing the payments were legitimate – she felt Mr A ought to have been more concerned about the price of the phones and ought to have carried out more checks – but she also thought Monzo could've done more to protect Mr A. She thought Monzo ought to have intervened at the point Mr A attempted to make the fourth payment, and that, had it done so, Mr A wouldn't have proceeded to make payments four to seven. She therefore recommended Monzo pay Mr A 50% of those payments to reflect dual responsibility for the loss.

Monzo didn't agree with the investigator's opinion. It thought it had provided effective warnings and it didn't think any further interventions would've made a difference. It said that a human intervention was disproportionate to the scam risk presented and said it wasn't possible to know the specific scam type Mr A had fallen victim to.

As Monzo didn't agree the complaint has been passed to me to decide.

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.

In deciding what's fair and reasonable, I am required to take into account relevant law and regulations, regulators' rules, guidance and standards, and codes of practice; and, where appropriate, I must also take into account what I consider to have been good industry practice at the time.

The starting point under the relevant regulations (in this case, the Payment Services Regulations 2017) is that Mr A is responsible for payments he authorised himself. But at the relevant time, Monzo, while not a signatory, had committed to abide by the principles of the Lending Standards Board's Contingent Reimbursement Model Code ("CRM Code") which

required firms to refund victims of APP scams (like this one) in all but a limited number of circumstances. These are known as exceptions to reimbursement.

In this case, Monzo has argued that an exception to reimbursement applies – that is, that Mr A didn't have a reasonable basis for believing the payments he was making were legitimate.

Having considered this case very carefully I'm not persuaded Mr A had a reasonable basis for believing the payments were legitimate and for broadly the same reasons as the investigator.

I accept Mr A says he made the payments in instalments in order to exercise caution, spoke to the seller to hear his voice, and waited for the seller to send pictures of him purportedly posting the iPhones at the Post Office before making payments four to seven (payments one to three were considered deposits), but I'm mindful the price of the iPhones were considerably cheaper than those Mr A found at a reputable retailer.

While I accept the seller told him the iPhones had been fixed up to look new, the cost of the iPhones ought to have been a red flag as to the legitimacy of the arrangement. And given the items were sold via a social media platform whereby messages can disappear, Mr A ought to have been concerned about the lack of recourse open to him should something in the arrangement go wrong.

As those messages are no longer available, and the fraudster blocked Mr A shortly after the payments were made, it's difficult to know how persuasive the fraudster was in overcoming any red flags and Mr A hasn't provided any detailed submissions in this regard.

Mr A says he found the opportunity to buy the iPhones via his friend who had also purchased the iPhones, but it transpires she too, was later defrauded.

Overall I think Mr A ought to have been concerned as to the legitimacy of the agreement. While he has said he took steps to verify the seller was real by speaking to him, and didn't pay him in full until he'd seen evidence the iPhones were being posted to him, the evidence he relied upon wasn't strong enough in my view to overcome the other apparent risks related to the purchase.

I've gone on to think about whether Monzo did enough to protect Mr A from financial harm from fraud. Under the CRM Code, a firm is required to provide effective warnings when it identifies a scam risk. And, as a matter of what is fair and reasonable and what I consider to be good practice, Monzo ought to have been on the lookout for out of character and unusual transactions and other indicators that Mr A might be at risk from financial harm from fraud.

While Monzo provided Mr A with written warnings from payment two, I'm not persuaded a scam risk was apparent until payment four. Up until payment four I think Monzo met its obligations under the CRM Code.

From payment four I'm satisfied Monzo ought to have provided effective warnings. In my view while the warnings did cover features of purchase scams, I'm not persuaded they met the definition of 'Effective Warnings' as set out in the Code. The CRM Code sets out that Effective Warnings should include appropriate actions for consumers to take to protect themselves from a scam – explaining the actions they should take to address the scam risk and the consequences of not doing so. As a minimum, an Effective Warning should meet a number of criteria including being impactful – and within that description the CRM Code explains it should be impactful by including steps to ensure the customer can reasonably understand the consequences of continuing with an irrevocable payment.

In my view the warnings Monzo provided didn't sufficiently set out steps Mr A could take to protect himself or clearly set out the consequences of continuing with the payments.

In any event, I'm also in agreement with the investigator that by the time Mr A made the fourth payment to a new payee, on the same day, Monzo ought to have intervened beyond a written warning given a concerning pattern of potential fraud had arisen. Had it done so I'm persuaded Mr A would have been open and honest as to what the payment was for, and what the previous payments had been for. I'd have expected Monzo to query why Mr A was making multiple payments for goods and asked him some questions to establish the scam risk.

I think it's more likely than not that through a bespoke conversation Mr A would've explained he was buying iPhones at a reduced rate from a seller on social media, and that he was persuaded the seller was legitimate because he'd seen pictures of him posting the goods at the Post Office. I think that Monzo would've recognised the scam risk and ought fairly and reasonably to have confirmed to Mr A that his circumstances carried clear features of a scam and set out the consequences of him proceeding with the payment.

Had it done so, I think Mr A would've recognised that the steps he'd taken to protect himself weren't enough, and, at risk of losing further money to a scam, he'd have decided not to make any more payments.

Finally, I've thought about whether Monzo did enough to recover the funds from the beneficiary bank. The evidence persuades me that it did.

Overall, I don't think Mr A had a reasonable basis for believing the payments he was making were legitimate. But for the reasons I've explained, I'm not persuaded Monzo did enough to protect Mr A from financial harm from fraud from payment four onwards. As a result Monzo should pay Mr A 50% of the money he lost from payments four to seven.

My final decision

I uphold Mr A's complaint against Monzo Bank Ltd in part. Monzo should refund Mr A:

- 50% of payments 4-7
- Pay 8% interest on payments 4-7 from the date of loss to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 8 January 2026.

Katie Doran
Ombudsman