

The complaint

Mr D complains Monzo Bank Ltd (“Monzo”) has declined to offer him a refund after he fell victim to an investment scam.

What happened

The details of this complaint are well known to both parties, so I won’t go into too much detail again here. However, in summary, Mr D was the victim of an investment scam. He was persuaded to send £21,200 from his Monzo account to someone who said they would invest the funds on his behalf. This person, who I will refer to as “W”, unfortunately later turned out to be a scammer.

Mr D became acquainted with the scammer via his wife who had met him at a gym. W told Mr D that he was a money handler for high-net-worth individuals. He invested their money in order to facilitate growth on their behalf. Mr D mentioned to W that he had some investments but they were making a loss. W told Mr D that if he sent him the money instead, he would invest it on his behalf and Mr D would earn a return of over 35% on his original investment over a one-year period. W said he would personally guarantee Mr D’s capital.

Mr D says W was able to show him documents that detailed his personal wealth and the successful investments he’d made on behalf of others. W also introduced Mr D to his friend who he said owned the trading platform Mr D’s money would be invested on. Mr D said he looked W up on Companies House and he could see he had multiple businesses in his name. Mr D felt this confirmed W was who he said he was.

Mr D decided to invest with W and a contract was drawn up and signed. Mr D then made two £10,000 payments from his Monzo current account via his via mobile banking application on 25th and 26th August 2022. In September 2022, Mr D transferred a further two payments to W - £1,000 on 10 September 2022 and £200 on 27 September 2022.

Mr D did initially see some “returns” into his accounts that W referred to as his commission payments. The payments were paid into multiple different accounts – W had requested Mr D open multiple different current accounts with different financial businesses. The payments were inconsistent, sporadic and came from W and someone he claimed to be his “Pay Master”. Eventually the transfers stopped, and Mr D was told he would receive large deliveries of cash from numerous different people. After much back and forth, the cash didn’t materialise and W started to act aggressively. Mr D realised he’d likely been scammed and reported what had happened to him to Monzo.

Monzo looked into Mr D’s complaint but it took longer than expected. Monzo offered Mr D £125 in compensation to apologise for the delays but ultimately it declined to offer him a refund of the funds he had lost to the scam. It said Mr D had an existing relationship with W and he had received significant returns into his account. So, it believed this was a private civil dispute between Mr D and W, rather than a scam that Monzo should become involved in now. It also said it had contacted W’s bank, but it hadn’t been able to retrieve any of Mr D’s funds.

Unhappy with Monzo's response, Mr D brought his complaint to our service. An investigator looked into things and partially upheld the complaint. He said he thought Mr D had been the victim of a scam and Monzo should refund 50% of Mr D's loss taking into account the returns Mr D had received into his Monzo and other accounts - plus 8% simple interest.

Both Monzo and Mr D disagreed with the investigator's findings. Mr D said he believed that Monzo should be responsible for refunding him all of the money he had lost to the scam. And Monzo said it hadn't seen any persuasive evidence that demonstrated this wasn't a civil dispute between two long-standing friends.

As an agreement could not be reached, the case was passed to me for a final decision.

As part of my investigation into this complaint, I wrote to Monzo to explain that having reviewed all of the evidence available to me, I was persuaded Mr D had been the victim of a scam and I provided Monzo with some further information which indicated W had not used Mr D's funds as he said he would. Monzo said that in light of this new information, it would look to offer Mr D the amount recommended by the investigator in order to resolve this complaint.

Our investigator put Monzo's offer to Mr D but he disagreed that he should bear any responsibility for this loss.

It was at this point that it came to light that Mr D had made two payments to the scammer in September 2022. However, I'm pleased to say Monzo agreed to take these two additional payments into account in the offer it had made to settle this complaint. Mr D maintained that Monzo should be held liable for his total losses.

As it's not been possible to reach an informal agreement, I've moved forward with my 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.

I'm aware that I've summarised this complaint and the responses briefly, in less detail than has been provided, and in my own words. No discourtesy is intended by this. Instead, I've focussed on what I think is the heart of the matter here – which is to determine whether the offer made by Monzo is fair and reasonable in all the circumstances in order to settle this complaint.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is the right outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as an alternative to the courts.

Having carefully considered the complaint, I'm satisfied that the offer already made by Monzo is reasonable and I won't be asking it to increase it now. I'll explain why in more detail below.

Monzo's obligations

In broad terms, the starting position is that a payment service provider (in this case, Monzo) is expected to process payments that its customer authorises, in accordance with the Payment Services Regulations (PSRs), and the customer's account terms and conditions. But where a customer made a payment(s) as a result of the actions of a scammer, it may sometimes be fair and reasonable for a payment service provider to reimburse its customer, even though the payment(s) were authorised.

The CRM Code

Under the Lending Standards Board's Contingent Reimbursement Model ("the CRM Code"), which Monzo has agreed to act in the spirit of, Monzo should reimburse customers who are victims of authorised push payment scams, except in limited circumstances.

In considering this case, I have taken account of whether Monzo ought to have reimbursed Mr D in full under the provisions of the CRM code, and whether it ought to have done more to protect Mr D from potential financial harm from fraud. I've also considered the actions of Mr D.

As I've said above, The Code requires payment service providers to reimburse customers who have been the victims of authorised push payment (APP) scams, in all but limited circumstances. If Monzo declines to reimburse its customer in full, it is for Monzo to establish that one or more the listed exceptions set out in The Code itself apply. Those exceptions are:

- 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:
 - 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 further exceptions within the CRM Code, but none of these are applicable here.

Did Mr D have a reasonable basis for belief?

Under the The Code, Monzo can choose not to reimburse Mr D in full if it doesn't believe he had a reasonable basis for believing that the investment he was entering into was legitimate. It isn't enough for Mr D to have believed that he was paying W as part of a legitimate investment opportunity, he had to have a *reasonable basis* for that belief.

I have carefully considered all of the evidence provided by both Mr and D and Monzo, and I'm satisfied that it's reasonable for Monzo to rely on this exception to reimbursement - I don't think Mr D did have a reasonable basis for believing W was a legitimate trader or that this was a legitimate investment. In reaching this conclusion, I've had regard to the scene that was set by W and the impact I believe this reasonably had on Mr D:

- There wasn't any independent information that verified W had any links to the financial services industry or was able to offer legitimate trading services. All the information came from the scammer and his friends and Mr D appears to have believed what he was being told by W without being able to independently verify the information he was being given.
- The investment Mr D was offered did not sound genuine and it's unclear how the investment was supposed to work or how it could generate such large profits. Mr D says W didn't tell him how the investment would work or what type of investment was

being carried out, even when asked directly. And I think this should have caused concern at the time.

- Many of the conversations Mr D had with W took place over a text-messaging service - which is not a method used to arrange and agree legitimate investments. The language used by W wasn't professional and wasn't what I'd expect of a genuine trader either. I therefore think that the nature of the messages, in combination with the other factors, ought reasonably to have led Mr D to have concerns.
- The rate of return Mr D was offered and the timescale to receive it were too good to be true. Mr D was offered a 35% return on the investments over a 1-year period. This rate of return isn't plausible and even more concerning is that Mr D was told that his original investment was guaranteed. No investment is guaranteed and it's unclear why a legitimate broker would personally guarantee an investment and expose themselves to such risk. So, I'm satisfied that the rate of return being offered here was so unrealistic that Mr D ought reasonably to have had significant concern about the legitimacy of the opportunity that was presented to him. That, in turn, ought to have led to a greater degree of checking on his part.
- Mr D has said he did carry out some checks on W, including finding him on Companies House. However, none of the businesses relating to W on Companies House are related to financial services. The majority relate to lifestyle and fitness. So, Mr D wouldn't have been able to verify what W had told him. This should have been a red flag for Mr D rather than offering him reassurance.
- If Mr D was investing through a genuine company, I'd expect to see the funds he paid go to a company. However, the funds were paid directly into W's personal account.

Overall, and based on the evidence I've seen, I'm satisfied Mr D accepted what W told him at face value without completing any independent verification checks of his own. Given the particular circumstances of this case and the sums involved, I'm not satisfied this was reasonable and I think he should've taken steps to check who he was speaking with before agreeing to make payments out of his account.

Did Mr D ignore an effective scam warning?

Monzo has said Mr D ignored an 'effective warning' that was presented to him on screen during the payment process. However, Monzo hasn't provided any further detail about this warning so it hasn't been possible for me to assess whether this warning could be considered "effective" or not. Regardless, I don't think this makes a difference here as Monzo has already offered to return to Mr D 50% of his overall loss. And this is the amount I would've recommended had I been satisfied that an effective scam warning was required and not provided by Monzo and Monzo had not met its obligations under the CRM Code.

The returns received by Mr D

As part of his involvement with W, Mr D also received what he thought were returns on his investments into his Monzo account and into accounts he held with other financial businesses too. Some of these returns will be taken into account as part of Mr D's other complaint. However, I also think it would be reasonable for Monzo to take into account some of the returns Mr D received into his Monzo account and others as part of this complaint too. I'll explain why.

As part of this scam, Mr D paid £31,200 in total to W. He paid £21,200 from his Monzo account and £10,000 from a third-party account – which forms the basis of a separate complaint. However, Mr D also received "returns" into his Monzo account amounting to £3,850. It's reasonable for Monzo to take these returns into account when calculating Mr D's

overall loss as it wouldn't be fair to say Mr D was out of pocket by £21,200 if £3,850 was ultimately returned to him.

I also think it would be fair for Monzo to take into account some of the returns Mr D received into his other accounts for the same reasons – so Monzo can accurately calculate his actual losses as a result of his involvement with W.

As Mr D paid two thirds of his funds from his Monzo account it would be reasonable for Monzo to take into account two thirds of the returns he received into his other accounts as part of this complaint - £426.

So, when calculating Mr D's overall loss, I'm satisfied it's fair for Monzo to take into account the £3,850 Mr D received into his Monzo account and two thirds of the "returns" received elsewhere, amounting to £426, when calculating any redress now due to Mr D.

I understand that Mr D is likely to be unhappy with this calculation but it's important that his overall actual loss is calculated accurately. It wouldn't be fair for me to only consider the payments Mr D paid to W and not the payments he received from W.

Summary

Overall, I'm satisfied Mr D didn't have a reasonable basis for believing he was entering into a legitimate investment when he made the payments under discussion here. However, I've also not seen any persuasive evidence that Monzo provided Mr D with an effective scam warning when it should've done. As Monzo has already agreed to refund Mr D 50% of his overall loss, the same amount I would've recommended had I been satisfied Monzo didn't meet its obligations under the CRM Code, I won't be asking it to take any further action and I'm satisfied the current offer is fair - including any proposed deductions.

As there doesn't appear to be any dispute about the £125 in compensation offered to Mr D to compensate him for Monzo's delays, I haven't commented on this further here.

Putting things right

Overall, I'm satisfied that it's fair and reasonable to require Monzo to pay Mr D (if it hasn't already):

- 50% of his total overall loss taking into account the returns I have referred to above.
- Pay interest on the 50% refund calculated at a rate of 8% simple to compensate Mr D for the amount of time he has been out of pocket.*
- £125 for its service failings.

*If Monzo considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr D how much it's taken off. It should also give Mr D a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

My final decision is that the offer made by Monzo is fair and reasonable and I won't be asking it to take further any action over and above paying Mr D any outstanding redress.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 22 April 2025.

Emly Hanley Hayes
Ombudsman