

The complaint

Mr H complains that Monzo Bank Ltd ('Monzo') won't reimburse the funds he lost when he fell victim to a scam.

What happened

On 25 September 2023 Mr H received messages from someone purporting to be his son. He didn't know at the time, but the messages were from a scammer. The scammer started by saying "Hi Dad" and went on to explain that he had dropped his phone down the toilet. They explained that they were worried they had lost contacts and photos and asked Mr H for advice. Once Mr H had given advice the scammer then said that they were experiencing another problem because their mobile banking had been put on hold when they got a new phone as a security measure. The scammer went on to say that they had an invoice for £2,450.10 they needed to pay to avoid incurring penalties and asked Mr H to pay it.

Mr H asked what the invoice was for, and the scammer explained it was for a buy now pay later order and later said it was for a new phone and laptop. The scammer gave Mr H the account details of an individual and Mr H made a transfer. Soon after, the scammer told Mr H that he had a smaller bill to pay. Mr H made the transfer and explained that he needed to have a serious conversation with his son face to face later.

When Mr H's son returned from work, Mr H realised he was the victim of a scam and contacted Monzo to report it.

Monzo didn't agree to reimburse Mr H's loss. It considered Mr H's complaint under the Lending Standards Board's (LSB) Contingent Reimbursement Model Code ('CRM Code'), which it hasn't signed up to but has agreed to follow. Monzo said Mr H didn't take enough steps to check who he was paying, and what the payments were for.

Mr H was unhappy with Monzo's response and brought a complaint to this service.

Our investigation so far

The investigator who considered this complaint recommended that it be upheld in full. She said that Monzo couldn't fairly rely on an exception to reimbursement set out in the CRM Code.

Monzo didn't agree with the investigator's findings and asked for a final decision. It said:

- Whilst Mr H said he had previously supported his son the largest amount he had sent before the scam was £120. Mr H should have had concerns about being asked to pay a significantly higher amount.
- When the second payment was requested Mr H expressed concern but didn't complete any checks or delay the payment until he had spoken to his son. It is clear Mr H thought the amounts were unusual.
- Mr H was contacted by an unknown number on the day the new phone was received by his 'son'. The 'son' claimed the payment was for a buy now pay later phone and laptop order, so should already have had the new phone and been able to contact Mr H. Mr H didn't question this.

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 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.

I've considered whether Monzo should have reimbursed Mr H under the provisions of the CRM Code and whether it ought to have done more to protect him from the possibility of financial harm from fraud.

There's no dispute here that Mr H was tricked into making the payments and is an innocent victim. But this isn't enough for him to receive a refund of the money under the CRM Code. Under the CRM Code, a bank may choose not to reimburse a customer if it can establish that:

- 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.
- The customer ignored an 'effective warning' by failing to take appropriate steps in response to that warning.

There are further exceptions outlined in the CRM Code that do not apply to this case.

It is for Monzo to establish that it can fairly rely on one of the exceptions to reimbursement set out in the CRM Code. In this case, Monzo says Mr H made the payment without having a reasonable basis for believing that the payee was the person he was expecting to pay, the payment was for genuine goods or services and/or the person or business he was transacting with was legitimate.

Did Mr H have a reasonable basis for belief?

I am satisfied that under the terms of the CRM Code, Monzo should have refunded the money Mr H lost. I am not persuaded any of the permitted exceptions to reimbursement apply.

When considering whether Monzo acted reasonably in relying on this exception I need to consider all the circumstances, including the nature of a parent/child relationship. Scams of this nature play on a parent's natural instinct to help their child. It's also important not to use a 'hindsight' approach whereby the level of check required becomes obvious after the event. The LSB said in its September 2022 review of adherence to the CRM Code that firms should put themselves in their customer's shoes and establish whether it was reasonable that that customer believed the payment to be genuine.

The first message Mr H received said, "Hi Dad". The scammer said they had a new number and Mr H questioned which of his children was contacting him by providing their names. The scammer chose one of the names and went on to explain they had dropped their phone down the toilet, before asking Mr H what to do. Mr H's desire to help his child was clear in the messages that followed. He provided a lot of advice about steps the scammer could take. It was after those messages that the scammer asked Mr H for help to pay an invoice.

It's clear that the scammer drew Mr H in by asking him for help with sorting his phone out before asking him for any money. The conversation was normal, and I understand in line with the way Mr H and his son usually communicated. When the scammer asked Mr H to pay an invoice quickly, he asked what it was for and arranged to make the payment. I don't

consider he acted unreasonably in doing so and not analysing how buy now pay later works, which he might not have been aware of in any event. Fraudsters are adept at exploiting human nature, and that's what happened here.

Mr H was frustrated when he was asked to make a further payment but it's clear his priority was to help his 'son' and deal with matters later. He expresses concern about whether his 'son' is alright and says they will have a proper conversation later. So, Mr H didn't have scam concerns – he genuinely believed the messages were from his son. His worries related to the welfare of his child.

Mr H wasn't an expert here and reasonably believed he was communicating with and helping his son. He wasn't provided with any warnings that ought reasonably to have led him to question that belief.

Should Monzo have provided effective warnings or intervened?

The CRM Code also sets out standards that firms are required to meet. Those requirements include the provision of what the CRM Code defines as an "Effective Warning" when a firm identifies an APP scam risk in relation to a payment. In this case Monzo didn't provide any warnings.

I'm not persuaded that Monzo ought reasonably to have identified an APP scam risk when Mr H made the payments. The value of each payment was relatively small, and they were made over an hour apart. Under the CRM Code, this means that Mr H should be reimbursed in full.

Recovery

I can see from Monzo's records that Mr H submitted a report a scam form at 18:51 on 25 September 2023. Monzo reached out to the firm that received Mr H's funds on the morning of the following day. I think Monzo should have done so sooner. If I wasn't asking Monzo to reimburse Mr H his full loss under the CRM Code, I would ask Monzo to establish whether any funds remained in the receiving account when the scam was reported. As I am asking Monzo to reimburse Mr H in full, I see no merit in taking this step.

Overall, I'm not satisfied Monzo can rely on an exception to reimbursement so it should reimburse Mr H's full loss, plus interest as he has been deprived of these funds.

My final decision

I uphold this complaint and require Monzo Bank Ltd to:

- Pay Mr H £3,750.10; and
- Pay interest on the above amount at the rate of 8% simple per year from the date it declined his claim to the date of settlement.

If Monzo Bank Ltd is legally required to deduct tax from the interest it should send Mr H a tax deduction certificate so he can claim it back from HMRC if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 29 May 2025.

Jay Hadfield
Ombudsman