

## **The complaint**

Mr S complains that Monzo Bank Ltd won't reimburse him after he fell victim to a safe account scam.

## **What happened**

Mr C has explained that he received a phishing email from what he believed was a parcel delivery firm and, as he was expecting a parcel, provided information requested on this phishing email - including his banking details for an account he holds with another bank.

At some point after this, Mr C received a call from an individual purporting to work for this other bank noted in the phishing email. Unfortunately, unknown to Mr C at the time, this individual was in fact a fraudster.

The fraudster told Mr C that there appeared to be malware on Mr C's phone and that as a result, his online banking had been hacked. Mr C was asked whether he could see the loan application that had been made on his account (which there hadn't been at this time). Mr C confirmed he couldn't, to which the fraudster advised that the hackers were blocking what Mr C could see on his online banking, but that they could see suspicious activity.

Mr C was told he would need to move funds out of his hacked account to a 'safe account'. Mr C made some payments directly from his other bank account, however for the majority of the payments, Mr C was told to transfer his funds to his Monzo account and from there, to transfer them on to safety. Mr C was directed to make a number of low value payments from his other account to Monzo. He was told that this was so that if any were intercepted, the losses incurred would be minimised.

Once funds were in Mr C's Monzo account, the fraudster made card payments using his card details, which Mr C had to verify using his online banking app. Mr C has explained that he could see the payments being made were going to account names he didn't know and questioned this. He was told that these account names were randomly generated, to make it harder for the hacker to trace these funds.

Mr C made three payments of this nature, after which he was told to download a money transfer app to make one further payment via open banking. In total Mr C made the following payments towards the scam:

Date	Payment type	Payee	Payment value
05/09/2023	Card payment	1	£2,375
05/09/2023	Card payment	1	£2,375
05/09/2023	Card payment	2	£5,000
05/09/2023	Open banking faster payment	3	£950

Mr C realised he'd fallen victim to a scam that same day, and contacted Monzo to raise a claim.

As Mr C's final payment towards the scam was made via faster payment, it's covered by the Lending Standards Board Contingent Reimbursement Model (CRM) Code. Monzo has agreed to act in the spirit of the CRM Code (although it isn't a signatory) which requires firms to reimburse customers who have been the victims of APP scams like this in all but a limited number of circumstances. Monzo says one or more of those exceptions applies in this case.

Monzo has said Mr C didn't have a reasonable basis for believing he was making a legitimate payment, as he didn't take adequate steps to check the legitimacy of who he was paying. However, Monzo recognised delays in its review of Mr C's complaint, as well as the need for Mr C to chase for updates, and provided £80 in compensation as an apology.

For other payments Mr C made, while they aren't covered by the CRM Code, Monzo should still fairly and reasonably have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). And in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, before processing a payment, or in some cases declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

Mr C remained unhappy and referred his complaint to our service. An investigator considered the complaint and upheld it in part. He thought that, by the time Mr C made the third payment towards the scam, Monzo ought to have recognised that Mr C may be at risk of financial harm from fraud and intervened further to question the payments he was making. Had it done so, he thought the scam would've come to light.

The investigator considered whether Mr C should be held equally liable for these two payments but concluded he shouldn't. He noted that Mr C had raised that he has a diagnosed anxiety disorder, which Mr C has said caused him to panic when hearing his money was at risk, which impacted his ability to protect himself. The investigator also considered that where Mr C had been unsure about what he was being told, he'd asked further questions, but had received plausible responses.

Mr C agreed with the investigator's view but Monzo didn't. It did agree that from payment three, it should've intervened and should therefore be held partly liable for Mr C's losses from this payment onwards. However, it raised elements of the scam that it didn't think were plausible, such as Mr C being required to download third party apps to make payments, the suggestion that Mr C's other banking provider would have legitimately requested all of Mr C's Monzo card details and that despite Mr C being told his internet banking had been hacked, he would've been able to see the genuine transfers he himself was making to his

Monzo account from his other banking app. Monzo therefore considered that for payments three and four, it should share liability 50/50 with Mr C and refund 50% of losses from this payment onwards.

As Monzo disagreed with the investigator's view, the complaint has been referred 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.

I agree with the investigator that by the time Mr C made his third payment towards the scam, Monzo ought to have been on alert that he may be at risk of financial harm from fraud and intervened, and I think appropriate intervention would have been for Monzo to have a conversation with Mr C to better understand what the purpose for payments was. From Monzo's comments to our service following the investigator's view, it seems they also agree on this point.

Had Mr C been questioned, I haven't seen anything to suggest Mr C wouldn't have been open and honest about what was happening, as he's not made reference to being told to lie by the fraudster. However, even if the fraudster had told Mr C to provide a cover story to Monzo, I think this would have quickly unravelled with some basic questioning, considering that by this time Mr C had made payments of almost £5,000 to a hair and beauty company which would've been difficult to explain. I therefore think Monzo would've been able to uncover something was amiss and provided warnings sufficient to break the spell Mr C was under by the fraudster.

As payment three isn't covered by the CRM Code, I've considered what the law says about contributory negligence, and whether Mr C's actions were reasonable in the circumstances, to consider whether a deduction should be made to redress awarded. I appreciate there were some red flags in this scam, as Monzo has already raised and have been covered above. However, I've also taken into account that safe account scams are well known for their effectiveness, based on the power of instilling fear and panic in their victims, which understandably causes them to not think clearly in the moment. I've also thought about Mr C's personal circumstances – Mr C has explained he has an anxiety disorder that is medicated and that impacts most aspects of his daily life. He's explained that when he heard his money was at risk, he panicked and wanted to resolve the issue as soon as possible.

While the consideration of how a 'reasonable' person would've responded to a scam is an objective, impersonal test, this is just the starting point. Our service also considers what is fair and reasonable. In the circumstances of this case, I think Mr C's personal characteristics made him more vulnerable to the scam he was targeted for and in his personal circumstances, I don't think the actions he took were unreasonable. In reaching this decision, I've factored in that Mr C did make attempts to question what he was being told by the fraudster, but unfortunately the fraudster had answers ready for everything Mr C raised. I also don't think that the red flags in this case were so unrealistic, that Mr C ought to have identified the scam risk, even considering his personal situation. Therefore I don't think a deduction for contributory negligence would be fair or reasonable in the circumstances of this case.

Similarly, for Mr C's final payment to the scam that was covered by the CRM Code, Monzo has said Mr C didn't have a reasonable basis for believing he was making a genuine payment.

The consideration of 'reasonable' is not applying an objective standard, but instead considers the specific consumer and their specific circumstances. I think considering when Mr C's personal circumstances, the apprehension his disorder can cause in daily life, and how this feeds into this particular type of scam, the actions he took were reasonable for similar reasons as already mentioned.

Therefore, having considered the complaint holistically, I think Monzo should be held responsible for Mr C's losses for payment three onwards, and that it wouldn't be fair or reasonably to apply a deduction based on Mr C's actions.

### **My final decision**

My final decision is that I uphold Mr C's in part and I direct Monzo Bank Ltd to:

- Reimburse Mr C losses he incurred in payments three and four to the scam (totalling £5,950)
- Apply 8% simple interest, from the date Mr C made these payments, until the date of reimbursement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 20 November 2024.

Kirsty Upton  
**Ombudsman**