

## **Complaint**

H, a limited company, complains that Monzo Bank Ltd didn't refund it after its director, Miss C, fell victim to a scam.

## **Background**

In April 2023, Miss C was planning a holiday with friends and looking for accommodation online. After some research, she discovered a property that seemed to meet her requirements. She'd found the listing on a reputable third-party website. She contacted the owner to discuss the details of her booking. I understand that there was some hesitation about the number of people who would be joining her on the trip. The owner reassured her by saying that she could secure the booking immediately and later cancel it for a full refund if necessary. Trusting this information, Miss C proceeded to make a payment of just over £3,000 using H's Monzo account. She made that payment to a different account in her name, and it was from there that the funds were transferred on to the eventual recipient.

Unfortunately, she wasn't dealing with the owner of the property in question, but a fraudster. She realised that she must have fallen victim to a scam when the supposed owner cut off all communication and blocked Miss C on the third-party website. She complained to Monzo and asked that it pay her a refund. It didn't agree to do so.

Miss C was unhappy with that response and so she referred her complaint to this service. It was looked at by an Investigator who didn't uphold it. The Investigator noted that Monzo was expected to be on the lookout for account activity or transactions that were unusual or out of character to the extent that they might have indicated a fraud risk. In this instance, the Investigator wasn't persuaded that Monzo could've reasonably anticipated that this payment was being made in connection with a scam.

Miss C, via her representatives, disagreed with the Investigator's view. They argued that this was the largest payment made from H's account in the month's running up to the scam. They added that the transfer had been funded by a large deposit from another account. They've argued that this ought to have been regarded as suspicious by Monzo.

As Miss C disagreed with the Investigator's view, the complaint has been passed to me to consider and come to a final decision.

## **Findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations (in this case, the 2017 regulations) and the terms and conditions of the customer's account.

Monzo has agreed to follow the terms of the Lending Standards Board's Contingent Reimbursement Model (CRM) Code. The CRM Code does require firms to reimburse customers who have fallen victim to a scam in certain circumstances. However, it doesn't apply in this case because Miss C made the transfer to an account she holds with a different business.

Nonetheless, good industry practice required that Monzo be on the lookout for account activity or payments that were unusual or out of character to the extent that they might indicate a fraud risk. On spotting such a payment, I'd expect it to take steps to warn its customer about the risks of proceeding. In some cases, it might be expected to temporarily block a payment so that it could make enquiries with the customer to satisfy itself that they weren't at risk of financial harm due to fraud. However, any response to out of character account activity must be proportionate to the risk. Monzo has to strike a balance between protecting customers and not disrupting legitimate payments.

The Investigator concluded that Monzo wouldn't have had a reasonable basis for intervening here. I agree with that conclusion. On its own, the payment wasn't large enough that intervention would've been necessary. The fact that it originated from an account in the name of a limited company is relevant too. It's not unreasonable to anticipate that a company account might handle larger transactions.

Miss C's representatives argued that, immediately prior to the scam, she credited her account with a large deposit and this was used to fund the scam transaction. I can see that Miss C moved £3,500 from a 'pot' into her main account. As I understand it, Monzo offers the ability for customers to divide money into pots, but the funds are not, strictly speaking, in separate accounts. I don't think that movement alone could be said to indicate fraud risk.

I know that it will be hugely disappointing to Miss C, but the value of the payment in question is also a relevant factor that firms need to take into account when assessing fraud risk. I don't think it's realistic to expect Monzo to intervene in connection with transactions of this size, unless there are other compounding factors indicating a higher fraud risk.

Finally, the Investigator recommended that Monzo pay a small amount of additional compensation to take into account the customer service difficulties she experienced here. Where I'm not upholding the substantive complaint, I don't have the power to make an award for distress and inconvenience. However, I can see Monzo has agreed with the Investigator's recommendation and so Miss C is free to accept its offer should she wish to do so.

I don't say any of this to downplay or diminish the fact that Miss C has fallen victim to a cruel and cynical scam. I have a great deal of sympathy for her and the position she's found herself in. However, my role is limited to looking at the actions and inactions of the bank and I'm satisfied it didn't do anything wrong here.

## **Final decision**

For the reasons I've explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 28 October 2024.

James Kimmitt  
**Ombudsman**