

The complaint

Mr S complains that Monzo Bank Ltd hasn't refunded the money he lost when he fell victim to a scam.

What happened

In July 2023 Mr S noticed an item had been added to his basket on a shopping website. Mr S says he looked for a contact number for the shopping site and called them to query this item. During this call, he was cut off, but he says he was then called back, from a different number, by someone who he believed was the same person he'd just been speaking to. Unfortunately, and unknown to Mr S, this person was not a legitimate representative of the website, he was speaking with a scammer.

Mr S was told that his shopping account had been compromised and that his bank account cards associated with that account were at risk. He was told he needed to try to buy some gift cards to check that his bank account cards didn't work. He was then told he needed to download remote access software to ensure his cards had been blocked. The scammer then convinced Mr S that he needed to move funds from his account with a high street bank ('L') to his Monzo account, before sending those funds on to an account in the name of a third party. Mr S was told this third-party account was a safe account.

Mr S made a payment of £925 from his Monzo account, but when he attempted another payment it was blocked by Monzo. When Mr S's call with the scammer cut off, and he called the shopping site back on a number he found online, they told him they had not been in contact with him, and he realised he had been scammed.

Mr S contacted Monzo, but initially he told it he had not authorised the payment, so Monzo considered his claim on that basis that this was an unauthorised payment. However, Monzo felt the evidence suggested Mr S had authorised the payment, so it did not uphold his complaint. Mr S then referred his complaint to our service.

Following our involvement, Mr S confirmed that he had authorised the payment, but that this had been as a result of a scam, so we asked Monzo to consider his claim on that basis. Monzo therefore looked into whether Mr S was entitled to a refund of all or some of the payment he made under the Contingent Reimbursement Model (CRM) Code. This voluntary code requires firms to reimburse customers who have been the victims of APP scams in all but a limited number of circumstances. Monzo is not a formal signatory to the CRM Code, but it has publicly committed to abiding by the principles of the Code.

But ultimately Monzo did not feel it had any liability for Mr S's loss under the Code, so it declined to refund it to him. It said there were various aspects of the scam Mr S fell victim to that should have indicated to him that the payment he was making was risky. Monzo did though offer to pay Mr S £75 to recognise that it could have been clearer with him about what it needed when he made contact following its final response letter. Mr S didn't accept this, he said his particular circumstances meant he was vulnerable to this scam, and so felt he should be refunded for some or all of his loss, so he asked us to reconsider his complaint.

One of our Investigators looked into his complaint. They thought Monzo was entitled not to refund the money Mr S had lost. They didn't think Mr S had held a reasonable basis for believing what he did when he sent the payment. They also did not think there was anything about the payment Mr S made that should have triggered any intervention or warning from Monzo, or that Mr S's vulnerabilities meant he'd been unable to protect himself from this scam. So, they thought Monzo had fairly assessed the claim under the Code and didn't think it needed to refund the disputed payment.

Mr S remained unhappy, so his case has now been referred to me to reach 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'm sorry to hear about what happened to Mr S, but I have to recognise that the main cause of his loss here were the scammers who deceived him. I must also take into account that Monzo has an obligation to carry out the payment instructions its customers give it. As a starting point, a customer is therefore assumed liable for a payment they have instructed to be made.

But even with that in mind, where a customer has made the payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for a bank to reimburse its customer even though the customer authorised the payment.

Amongst other things, Monzo has a responsibility to exercise reasonable skill and care, pay due regard to the interest of its customers and to follow good industry practice to keep customer's accounts safe. Additionally, as I've mentioned above, the CRM Code can provide increased protection for the victims of APP scams. I'm satisfied that the faster payment Mr S made falls within the scope of the CRM Code. But despite offering additional protections, the CRM Code includes provisions allowing a firm not to reimburse APP scam losses fully in some circumstances. Those circumstances include where the customer made a payment without a reasonable basis for believing that the person they were dealing with was legitimate, was providing a genuine service, or that the payee was the person the customer was expecting to pay.

Monzo says this exception applies here. So, I need to determine whether Monzo has established this exception to reimbursement can be fairly applied – in other words, that Mr S made the payment without a reasonable basis for believing it was legitimate. In considering this point, I've carefully considered everything Mr S has submitted as well as the evidence submitted by Monzo.

There were some features of what happened here that I think should reasonably have caused Mr S to use greater caution before sending this payment. I acknowledge that he had seen unusual activity in his online shopping account, and initially had searched for a legitimate number to call that website on. But the fact that he then received a call back from a mobile phone number should, I think, have led Mr S to question exactly who he was speaking with and to take steps to verify that he was still legitimately speaking with a representative of that website. And given that the actions he was then asked to take – attempting to buy gift cards, downloading remote access software, moving money between his bank accounts – was very unusual, I do think Mr S should have taken further steps here to question what was going on. And Mr S has said that at various points during his conversation with the scammer he did express doubts about what he was being asked to do, but he appears to have moved past these doubts without taking any steps to independently verify that he was dealing with a legitimate representative of the shopping website.

In short, I find there were several indicators that what Mr S was being asked to do might not be legitimate. And with all this in mind, I think Monzo has been able to fairly establish that when Mr S made the payment that is the subject of this complaint, he did so without a reasonable basis for believing he was making the payment for a legitimate purpose. This means that, as set out in the Code, Monzo does not need to fully refund him for his loss even though this was the result of a scam.

However, under the terms of the Code a bank may still be required to partially reimburse a customer in circumstances where it hasn't met the standards set for firms by the Code. That would include requirements in terms of funds recovery or in taking sufficient steps to protect the customer from falling victim to a scam.

The payment Mr S made was for a relatively large amount, but not so high that, in my view, it required further intervention before Monzo allowed it to be made. Particularly in the absence of any other clear indicators of risk. For example, the payment didn't clear the balance of Mr S's account and wasn't part of a pattern of suspicious spending.

So, I'm not persuaded that Monzo was required to give a warning in this case or carry out any fraud checks. And it follows that I am satisfied that Monzo has not failed in its obligations to Mr S the Code, so I don't think it is liable for refunding any of Mr S's loss.

Mr S has mentioned that he was vulnerable at the time the scam occurred, as his circumstances were impacting his mental health. I've thought about whether this should reasonably have impacted the way Monzo dealt with the claim.

The CRM Code states that a customer is vulnerable to APP scams if:

"it would not be reasonable to expect that Customer to have protected themselves, at the time of becoming victim of an APP scam, against that particular APP scam, to the extent of the impact they suffered"

I've considered the provisions of the CRM Code in this regard and what it says about vulnerability. And having done so, while I appreciate Mr S has said he was going through a very difficult time, I'm not persuaded his circumstances can reasonably amount to him being deemed vulnerable under the Code, or that it would not have been reasonable to have expected him to protect himself, particularly as it is clear that Mr S did have some concerns about what he was being asked to do. So, I'm satisfied Monzo can fairly rely on the exceptions to reimbursement.

I have also considered whether Monzo could have done more to recover Mr S's funds once he told it of the scam. But given that it was several months after the payment that Mr S told Monzo that he had been scammed, I'm satisfied Monzo could not have done more. It is very unlikely that any funds would have remained in the recipient account by that stage.

I understand that this will be very disappointing for Mr S, and I recognise what the loss of this money has meant for him. But I can't reasonably say that it would be fair to hold Monzo liable for his loss here.

I'm also satisfied that Monzo acted in line with the terms and conditions of Mr S' account when it decided to close that account.

I note that Monzo has offered Mr S £75 compensation as it considers it could have been clearer with him during the complaint process. Mr S should let Monzo know if he wishes to accept that offer.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 16 December 2024.

Sophie Mitchell
Ombudsman