

Complaint

Mrs K is unhappy that Monzo Bank Ltd didn't reimburse her after she told it she'd fallen victim to a scam.

Background

In June 2023, Mrs K fell victim to a job scam. She was introduced to a job opportunity by a colleague of her husband. This job promised remote and flexible working hours. I understand Mrs K had been looking for a chance to earn some extra money and so this appealed to her. She contacted the company offering the opportunity to discuss it further. The premise of the role was that employees were expected to complete tasks on an online platform maintained by the employer. The completion of those tasks would boost the visibility of specific retailers that sold via a separate online platform.

Mrs K was told she would earn a commission based on her completed tasks. However, she was informed that she needed to "fund" her account to do so. In addition, the fraudsters told her that the more she funded her account, the more tasks would be available to her that offered higher rates of commission. On 26 June 2023, Mrs K made the following payments using her Monzo account:

- 1 - £650
- 2 - £650
- 3 - £600
- 4 - £500
- 5 - £879

After three days, Mrs K attempted to withdraw some of her earnings but was informed that she needed to pay additional taxes and fees. It was then she realised she had been the victim of a scam. She contacted Monzo but it didn't agree to refund her. It wrote to her on 1 August 2023 and said:

Under current regulations, banks have to refund fraudulent transactions unless a customer hasn't taken reasonable measures to keep their account safe. As you didn't take enough steps to check who you were paying and what for, we believe you placed your account at risk and haven't taken reasonable measures to keep your money safe. Unfortunately, this means you aren't covered by fraud-protection regulations and we're not able to refund this transaction for you.

Mrs K wasn't happy with that response and so she referred her complaint to this service. It was looked at by an Investigator who upheld it in part. She recommended that Monzo refund 50% of payments 4 and 5.

Mrs K accepted the Investigator's recommendation, but Monzo disagreed. As a result, 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. However, that isn't the end of the story. Monzo has agreed to follow the Lending Standards Board's Contingent Reimbursement Model Code ("the CRM code"). This code requires firms to reimburse customers who have been the victim of authorised push payment ("APP") scams, like the one Mrs K fell victim to, in all but a limited number of circumstances.

Monzo didn't uphold Mrs K's complaint because it thought she should've done more to verify who she was paying before going ahead. Essentially, it seeks to rely on a specific exception to reimbursement under the CRM Code which provides that firms don't need to refund customers if *"the customer made the payment without a reasonable basis for believing that ... the person or business with whom they transacted was legitimate."*

I've considered all of the available evidence and, while I accept that Mrs K did sincerely believe this was a genuine job opportunity, I'm not persuaded that belief was a reasonable one. I've come to that conclusion for several reasons. First, the earnings promised (up to £18,000 per month) were extraordinarily high. This should have raised concerns about the legitimacy of the opportunity, and I think it ought to have occurred to Mrs K that what was on offer was too good to be true.

In addition, the requirement to pay upfront to perform work is unusual and inconsistent with typical employment practices. Most people expect to be paid by their employers for the work they do, rather than paying for the opportunity to work. As far as I can see, there wasn't any attempt to explain this unusual situation to Mrs K and she doesn't appear to have asked about it.

Finally, Mrs K says she researched the company online, but there are many negative reviews highlighting the scam. If she conducted this research before going ahead with the payments, she must have either overlooked these warnings or disregarded them. Overall, I'm persuaded that she made these payments without a reasonable basis for believing the job opportunity was legitimate and so I don't think Monzo needs to refund her in full.

However, I also considered Monzo's responsibilities under the CRM Code. Where firms identify APP scam risks during a payment journey, they are required to provide *"effective warnings."* I'm satisfied that the requirement to provide a warning was engaged here. Although these payments were fairly low in value, the aggregate value at payment 4 was high enough that it should've been cause for concern. I also think Monzo should've been concerned by the fact that Mrs K was making multiple smaller payments to this new payee, rather than one larger payment. There's not an obvious reason why she would need to do that, but it is a payment pattern that is consistent with job scams.

I can see that Monzo did display a warning to Mrs K when these payments were made. The CRM Code sets out the relevant criteria that a warning must meet for it to be considered an "effective warning" at SF1(2)(e). This one failed to meet those criteria in several respects. First, it was written in general terms and covered a variety of scam types. It was not sufficiently specific to the type of scam Mrs K fell victim to. As a result, it wouldn't have been particularly impactful and was unlikely to influence her decision making. It therefore wasn't impactful or specific. As Monzo didn't provide an effective warning when it was expected to

do so under the CRM Code, I'm persuaded that it needs to pay a partial refund to Mrs K.

For completeness, I also considered whether Monzo did everything it could in respect of recovering Mrs K's money from the receiving bank – i.e., the bank that operates the fraudster's account. I can see that it messaged that bank shortly after Mrs K told it she'd fallen victim to a scam. It hasn't received a response. However, there was a short interval between Mrs K's last payment and her telling Monzo she suspected it was fraudulent. From similar cases we've seen, fraudsters tend to move funds out of the receiving accounts as swiftly as possible to frustrate attempts at recovery. In practice, the prospect of any funds being recoverable in this way was always remote.

Overall, I've found that Monzo didn't meet the standards for firms set out in the CRM Code and so I think it's fair and reasonable for it to reimburse 50% of payments 4 and 5.

Final decision

For the reasons I've set out above, I uphold this complaint.

If Mrs K accepts my final decision, Monzo Bank Ltd needs to pay her 50% of payments 4 and 5. It also needs to add 8% simple interest calculated to run from the date it declined her claim under the CRM Code until the date any settlement is paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 10 January 2025.

James Kimmitt
Ombudsman