

The complaint

Miss O complains Monzo Bank Ltd (Monzo) won't refund the money she lost to a scam.

What happened

In July 2023, Miss O was selling an item on a well-known online selling platform (that I'll call F). A buyer bought the item and Miss O understood they'd made a payment of £165 to Miss O's payment account (that I'll call P). Unbeknown to Miss O at the time, the buyer was in fact a fraudster.

The fraudster falsified emails from P, claiming Miss O needed to upgrade her P account, in order to receive the buyer's payment being held by P. It said the buyer would need to make an additional payment of £900 and then it would credit £1,065 to Miss O's P account. Miss O would then need to refund the buyer with £900, via bank transfer from her bank account. The email also said Miss O would receive a £200 bonus for upgrading her account.

On 14 July 2023 Miss O made a payment of £900 from her Monzo account to an account controlled by the fraudster. However, shortly after paying, she was asked for another payment of £900. She grew suspicious and contacted Monzo via live chat at 21:33 on 14 July 2023.

Monzo contacted the firm Miss O sent her funds to (Firm R). However it was only able to recover £18 of the £900 Miss O sent. Monzo declined to refund Miss O under the Contingent Reimbursement Model (CRM) Code, which it's agreed to abide by the principles of. The CRM Code sets out that Monzo should refund victims of authorised push payment (APP) scams (like Miss O), in all but a limited number of circumstances. Monzo said Miss O didn't take enough steps to check the person she was paying or what she was paying for, so under the CRM Code, she lacked a reasonable basis for belief.

Miss O complained about the outcome of her scam claim, and the time it took Monzo to investigate. Monzo maintained its decision to defend the claim. But it acknowledged delays to her scam claim, and complaint. So it paid £125 into her account by way of an apology.

Our Investigator looked into Miss O's complaint, but they didn't think Monzo needed to take further action because they said Monzo had correctly applied the exceptions to reimbursement set out in the CRM Code. They noted Miss O ought to have had concerns about what was being asked of her, and they also didn't think Monzo could have done more to recover Miss O's funds. They said the compensation Monzo had paid for the service issues, was fair under the circumstances.

Miss O didn't agree. She maintained Monzo ought to have done more to work with Firm R, to retrieve her funds. And she didn't think that it was unusual that she was receiving a bonus from P. She also noted she thought she was dealing with P – a legitimate company.

As no agreement could be reached this case was passed to me to be decided.

As part of my investigation into Miss O's complaint, I contacted both parties to let them know that I was likely going to reach a different outcome to that of our Investigator. And I gave them both time to provide any final comments or arguments before my final decision was issued.

As Monzo did not provide a case file, I had not seen persuasive evidence from Monzo that it acted promptly to recover Miss O's funds once the scam was reported. Firm R told our service that Monzo did not reach out to them until 15 July 2023 – the day after the scam was reported. And having also seen evidence from Firm R of the time Miss O's funds debited the beneficiary account, I was satisfied that she was owed a further £2 from Monzo. That is because, had Monzo reached out to Firm R, within the correct timeframe, £20 would have remained. Given Monzo already returned £18 of this – that left £2 owed to Miss O.

In response, Monzo told me that it reached out to Firm R at 21:53 on 14 July 2023. However, I wasn't persuaded that the evidence it sent me clearly showed this contact with Firm R. So I asked Monzo to send me clearer evidence of the contact made with Firm R. But in response, Monzo let me know it would be willing to settle Miss O's complaint by refunding her the £2 together with 8% simple interest per year, on this amount, from the date Firm R returned Miss O's funds until the date of settlement.

Miss O did not accept this offer. However she did not tell me her reasons why. I've therefore gone on to reach my 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.

It's not in dispute that Miss O made the payment to the fraudster herself, albeit she was tricked into doing so. In accordance with the Payment Services Regulations 2017 (PSR 2017), she is presumed liable for the loss in the first instance. However, as I've already set out, Monzo has agreed to abide by the principles of the CRM Code.

The starting position under the CRM Code is that Monzo ought to refund Miss O, unless it can establish an exception to reimbursement applies. Such exceptions to reimbursement include (as far as is relevant to this complaint) that Miss O;

- Made the payment without 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

I'm sorry to disappoint Miss O, but I'm persuaded Monzo has fairly established the relevant exception applies in this case, largely for the same reasons as our Investigator. I'll explain why:

- Whilst I understand Miss O thought she needed to upgrade her account, in order to receive the £165 payment, the email from P said the buyer needed to make the additional payment of £900 to upgrade Miss O's account. I think it's highly unusual that the buyer would be the one to pay for Miss O to upgrade her account.
- Miss O then had to refund the buyer for the £900 payment they'd made. Again, it's unclear why P would ask the buyer to make this payment and Miss O then refund them, rather than Miss O pay P to upgrade her own account.
- I can see that the buyer gave the details of their account for Miss O to pay the £900 into. The name on that account seemed unrelated to the name of the buyer showing

on the messages on F's platform. It doesn't seem Miss O queried this.

- I appreciate Miss O thought she was dealing with P - a legitimate company. However, given the unusual nature of what was being asked of her, I think this ought to have cast doubts that she was in fact dealing with P.

In light of the above, I think that Monzo has fairly established that under the CRM Code, Miss O didn't have a reasonable basis for belief. Therefore, Monzo can hold Miss O at least partially liable for the funds lost.

Did Monzo do enough?

Monzo also has standards under the CRM Code it's expected to meet. Failure to do so in relation to a particular payment, or series of payments, could mean it's responsible for partially reimbursing its customer.

The CRM Code requires a firm to provide an effective warning where it identifies an APP scam risk in a payment journey. However, I'm not persuaded there was enough going on here for Monzo to have identified a scam risk when Miss O made the payment. I'm mindful it was a single payment, and the value of it wouldn't reasonably have stood out enough to Monzo, who processes millions of payments every day.

The CRM Code also says that a sending bank should notify a receiving bank of an APP scam immediately. 'Immediately' isn't defined, but I think up to one hour would be considered reasonable.

As I've explained, Firm R says it received a fraud report from Monzo on 15 July 2023. Whilst Monzo says it contacted Firm R at 21:53 on 14 July 2023, it has not provided clear evidence of the contact it made with Firm R. Therefore, I can't fairly say that Monzo met its requirements under the Code. And as the evidence from Firm R shows me that £20 of Miss O's funds remained, at the point I'd have expected Monzo to have reached out to Firm R, this possible delay did have an impact on the amount recovered. Monzo recovered £18 – leaving a difference of £2 that it ought to have recovered for Miss O, had it acted promptly. So, Monzo ought to refund this.

I do appreciate Miss O feels strongly Monzo ought to have done more to continue monitoring the receiving account for further deposits, in order to retrieve her funds. But this goes beyond what I'd expect Monzo to do under the circumstances. Monzo is not the account provider for the receiving account, and it has no control over, or access to said account.

I know Miss O would like answers on what legal action, if any, is being taken against the fraudster who stole this money from her. However, the police are the relevant authority to pursue the actions of the fraudster and decide the next steps in terms of prosecution. And of course, I'd expect Monzo to be co-operative with any police investigations upon request.

My final decision

For the reasons I've explained, I uphold this complaint about Monzo Bank Ltd in part and I direct it to:

- Refund £2
- Pay 8% simple interest per year, on this refund, from the date Firm R returned Miss O's funds until the date the settlement is paid, less any tax lawfully deductible.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 27 December 2024.

Meghan Gilligan
Ombudsman