

The complaint and what happened

Mr F complains Monzo Bank Ltd won't refund him the money he lost, after he fell victim to an Authorised Push Payment ("APP") scam.

Mr F was approached by a friend about an investment opportunity. He's told us he was keen on investing and had spoken with his friend about his desire to do so on a number of occasions. Mr F's friend put him in touch with somebody, who showed Mr F how the investments worked, as well as showing him details of profits and withdrawals.

Believing everything to be genuine, Mr F decided to invest and between 2021 and 2023 made a number of payments from his Monzo account, as well as making payments from an account he held with another financial firm. But unknown to him at the time, Mr F was dealing with a fraudster and his payments ultimately ended up in accounts the fraudsters controlled.

Mr F raised the matter with Monzo, but it didn't agree to uphold his complaint.

Unhappy with Monzo's response, Mr F brought his complaint to this service. One of our Investigator's looked into things, but didn't uphold the complaint. In summary, he didn't think the payments Mr F made between November 2021 and January 2022 would have appeared as unusual to Monzo. However, he considered at the point Mr F made a payment in February 2022, there was enough going on that Monzo ought to have provided Mr F with a general scams warning. But, when payments continued towards the end of February 2022, that warning should have extended to Monzo speaking to Mr F, to question him about the payments, before allowing them to be progressed.

However, it was our Investigators view that even if Monzo had intervened, it wouldn't have made a difference. He said this because he could see that another financial firm (who Mr F also held an account with and from where he had also sent payments to the fraudsters) had previously contacted him – but during this interaction Mr F had been coached by the fraudsters as to how to move past any warnings provided.

Our Investigator added that Mr F had also said that he suspected this was a scam in 2022, but despite this continued to make payments – which indicated that Mr F was under the spell of the fraudsters, with the fraudster able to alleviate his concerns. Overall, our Investigator didn't think Monzo doing more, would likely have prevented the scam.

In the circumstances of this case Mr F made payments directly to a cryptocurrency account in his own name, before moving cryptocurrency to accounts controlled by the fraudsters. But there was also a number of payments to UK based accounts. It wasn't clear from the evidence provided whether these payments to UK accounts were peer-to-peer (P2P) for the purchase of cryptocurrency, in which case they wouldn't be covered by the Contingent Reimbursement Model (CRM Code), or whether they weren't, in which case the principles of the CRM Code may apply.

But in any event, our Investigator explained that even if the CRM Code did apply, he didn't think Mr F would be entitled to a refund. This was because he didn't think Mr F had a

reasonable basis for believing this was a legitimate investment opportunity, given the rate of return and guaranteed profits being promised and also because he didn't consider an effective warning from Monzo would have made a material difference.

Mr F's representative didn't agree with our Investigator's view. As an agreement couldn't be reached, the complaint has been passed to me for a 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.

Having done so, I agree with the Investigator's conclusions for the following reasons.

It isn't in dispute that Mr F authorised the transactions in question. He is therefore presumed liable for the loss in the first instance. However, Monzo is aware, taking longstanding regulatory expectations and requirements into account, and what I consider to be good industry practice at the time, that it should have been on the look-out for the possibility of fraud and made additional checks before processing payments in some circumstances.

In the individual circumstances of this case, I agree with our Investigator that at the point in late February 2022, there was enough going on that I do think Monzo ought to have had concerns about the payments Mr F was making. It follows that I would reasonably have expected it to have intervened and spoken to Mr F, before allowing the payments to be progressed. In doing so, it could have asked Mr F some probing questions about the payments. But I'm not persuaded that would have prevented his loss.

I say that as, from Mr F's own submissions and from the evidence of his interaction with a different financial firm, from where he also sent money to the fraudsters – it seems clear to me that Mr F was sadly subjected to some cruel social engineering. Mr F has confirmed that the fraudsters had told him to expect intervention from his bank and that he should tell it he was acting alone and was not being guided by anybody. From what I've seen and heard, Mr F followed the fraudsters instructions and I think it more likely than not he would have done likewise had Monzo contacted him.

I would add that I do not suggest that Mr F would have been maliciously disingenuous with Monzo. Rather, I think the evidence suggests he believed this was a genuine opportunity recommended to him by a friend, and he'd seen what he believed to be returns and withdrawals. Reassurances which I think led him to believe what the fraudster was telling him.

I think this is also supported with what happened later, when in 2022 Mr F has said he suspected this was a scam, but despite this he still went on to make further payments. Mr F had already followed the fraudsters instructions when interacting with another financial firm and it seems the fraudster was also able to persuade Mr F to carry on with payments, despite his obvious doubts. This sadly suggests that he was still trusting of what the fraudster was telling him, I'm therefore persuaded that even if better probing questions had been asked of Mr F, he would have wanted to continue with the payments and would more likely than not have been evasive in his answering of questions.

I've also taken into consideration the payments Mr F made to UK accounts. As our Investigator has mentioned, from the evidence presented it seems that these payments did ultimately end up with cryptocurrency payments being made and I think it's more likely than not these were P2P payments and therefore not covered by the CRM Code.

But for completeness and for the avoidance of any doubt, even if these were payments where the principles of the CRM Code could be applied. I'm not persuaded it would mean that Mr F would be entitled to a refund for these payments.

The starting principle of the CRM Code is that a firm should reimburse a customer who is victim of an APP fraud except in a small number of circumstances. The exceptions to reimbursement relevant to this case are:

- The customer 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.
- The customer ignored an effective warning in relation to the payment being made.

Unfortunately, I think the evidence suggests Mr F didn't have a reasonable basis for believing he was dealing with a legitimate financial business when he made the transfers. I do recognise Mr F was introduced to the investment by his friend who had already invested and the fraudsters had told him about their profits. But I'm mindful that the initial offering of a return, of three times his investment, seemingly without any risk, was implausible to the point of being too good to be true. I'm not persuaded Mr F was provided with a persuasive answer as to how this could be possible, rather he seems to have taken things at face value.

I'm also mindful that, by the time Mr F was making payments in 2023, he already had his own doubts, but rather than act on these he proceeded to make further payments. Alongside this, it seems unlikely to me that a genuine investment company would recommend that its client mislead their bank, so as to avoid a bank's fraud detection systems.

I can understand how in isolation any one of these things may not have prevented Mr F from proceeding. But when taken collectively I think there were sufficient unusual factors here that Mr F ought to have acted far more cautiously than he did. I'm satisfied, therefore, that Mr F didn't have a reasonable basis for believing he was making payments for a legitimate investment, so Monzo isn't required to provide him with a full refund under the CRM Code.

I've also considered whether Monzo met its standards under the CRM Code in terms of the warnings it provided to Mr F when making the payments. The code also says; *"The assessment of whether a Firm has met a standard or not should involve consideration of whether compliance with that standard would have had a material effect on preventing the APP scam that took place"*.

In the circumstances of this case, for the reasons already explained above, I don't think better warnings or intervention by Monzo would have made a difference here and I'm persuaded there is convincing evidence to support this. So even if Monzo had provided effective warnings, on balance and for the reasons explained, I'm not persuaded it would have had a material effect on preventing the scam. Overall, even when considering the CRM Code, I don't think Monzo would be liable for refunding Mr F.

Mr F has raised that he was vulnerable at the time – and I am sorry to read about his circumstances and I understand that this must have been a very difficult time for him. But I'm not persuaded Monzo would reasonably have been aware of any vulnerabilities at the time the payments were made, such that I would have expected it to take them into consideration ahead of following any request from Mr F to transact on his account.

Nor do I think Mr F was 'vulnerable' under the CRM Code, which would allow for a refund if I considered the payments to UK accounts were not P2P. But to my mind Mr F ought

reasonably to have been able to protect himself from becoming a victim to this type of APP scam at the time. As explained above, it seems Mr F simply took what he was being told at face value whereas the returns he was being promised ought to have raised concerns. I think it is reasonable to say that Mr F wasn't vulnerable to an extent whereby he couldn't have questioned what he was being told.

I can only ask Monzo to reimburse Mr F if I think that any wrongdoing on its part caused his loss, which for the reasons explained above I don't think there was.

For completeness, I'm not persuaded there were any prospects of Monzo successfully recovering the funds, given the money was used to purchase crypto from legitimate providers, which subsequently ended up in accounts controlled by the fraudsters.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 28 April 2025.

Stephen Wise
Ombudsman