

The complaint

Mr W complains that Monzo Bank Ltd hasn't fully refunded the money he lost when he made a payment that turned out to be an APP scam.

What happened

In February 2025, Mr W required some home improvement works to be carried out. He found a trader who appeared suitable through an online recommendation website. Mr W made contact with this trader, and they agreed the work to be done.

Mr W paid the trader a deposit of £250, in the belief this would both confirm the booking and pay for materials. Mr W made this payment from his Monzo bank account by Faster Payments transfer on 24 February 2025.

However, after he'd made this payment, Mr W found he was no longer able to make contact with the trader and ultimately, it became apparent he'd been the victim of a scam. This type of scam is known as an Authorised Push Payment scam ('APP scam').

Mr W reported the matter to Monzo and Monzo looked into what had happened. It agreed that this had been an APP scam and said it would reimburse Mr W in accordance with the newly introduced Faster Payment Scheme Reimbursement Rules (the 'Reimbursement Rules'). The Reimbursement Rules require Payment Service Providers ('PSPs' – in this instance, Monzo) to reimburse losses resulting from APP scam payments in most circumstances.

However, the Reimbursement Rules will not usually require PSPs to reimburse the full amount that was lost. Except where a customer was vulnerable at the time of the scam, the PSP can choose to deduct what the rules describe as an "excess" from the sum to be reimbursed. That excess deduction must not exceed £100.

On 2 March 2025, Monzo reimbursed Mr W but deducted an excess amount of £100.

Mr W didn't think this was fair. £100 was a significant proportion of his payment and Monzo shouldn't have chosen to deduct it. He referred his complaint to this service for an impartial review.

Our Investigator considered everything afresh. She noted that both sides accepted Mr W had made the disputed payment as the result of an APP scam, and furthermore that the payment was one afforded protection under the mandatory Reimbursement Rules. Under those rules she noted that Monzo had reimbursed the amount it was required to reimburse and had been permitted to deduct the £100 amount it had.

She found no other reason that Monzo was required to have reimbursed more than it already had. She sympathized with Mr W and accepted his strength of feeling about the matter, but simply put, she didn't find Monzo had done anything wrong or that the bank was required to do more.

Mr W didn't accept the Investigator's view. He reiterated his belief that Monzo's application of the 'excess' deduction was unfair, even if it was permitted under the relevant rules.

As no agreement could be reached, I have been asked to reach a final decision on this complaint.

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.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

Therefore, I think it would be helpful to begin by briefly summarising the relevant considerations as they apply to Mr W's case.

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

That means in the first instance, the customer is presumed liable for losses that result from a payment they instruct their bank to make, even where they made that payment as the result of an APP scam.

In some circumstances though, I'd consider it fair and reasonable to expect a bank to have taken additional steps prior to processing a payment instruction – where that payment might have been indicative of potential loss due to fraud or a scam. A bank might reasonably be expected to have such concerns where, for example, a payment instruction was unusual or significantly out of character for that customer.

Looking at the payment Mr W sent, set against the prior usage of his Monzo account, I don't find the payment should necessarily have stood out to Monzo at the time as being indicative of a potential fraud or scam. The basic characteristics of the payment that would have been known to Monzo at the time (including its value and type) don't appear to have been significantly unusual set against Mr W's account history.

As a result, I don't find Monzo needed to take further steps prior to processing Mr W's payment. It was not at fault for carrying out the payment in line with Mr W's instructions.

Later, when the scam was reported, Monzo took appropriate action in attempting to recover the funds from the beneficiary account. Unfortunately, as is all too common in APP scams, the money had already been moved on, and so no money remained for Monzo to recover.

In short, while Monzo hadn't been at fault, all of the money Mr W had paid was lost to the scam.

However, that is not the end of the story. For Faster Payments transfers made on or after 7 October 2024, the Reimbursement Rules provide additional protection for the victims of APP scams – and will typically require the reimbursement of those payments at least in part.

Monzo accepts that the Reimbursement Rules apply to Mr W's payment. It says it has

reimbursed Mr W in line with the requirements of these rules and was entitled to deduct an 'excess' amount from the sum it reimburses, which it had chosen to apply.

I'll consider whether Monzo was entitled to do so, and whether this was fair.

Was Monzo permitted to deduct an excess of £100 from Mr W's claim?

The Reimbursement Rules were issued by the Payment Systems Regulator (PSR) and state:

Sending PSPs may apply a single claim excess to each FPS APP scam claim, up to the maximum claim excess value set by the PSR and published on their website.

The PSR's website includes the following, setting the maximum value of the 'excess':

- *Sending PSPs may apply an excess up to a maximum of £100 per claim.*
- *Sending PSPs may decide to apply the maximum excess (£100), a lower excess or no excess.*

The rules do contain an exception to this permission to deduct an excess. This affects claims where a customer met the rules' definition of a vulnerable customer at the time of the payment. In summary, this exception might take effect where the customer's circumstances meant they were especially susceptible to harm. Mr W does not argue that this should apply to him, and I have not seen any evidence which persuades me it might.

In summary, the Reimbursement Rules permit Monzo to choose to make the deduction it did. This was a matter for the bank's discretion. If I found convincing evidence that Monzo had made this choice in a discriminatory or otherwise unlawful way I might think the bank was not entitled to apply such a deduction. But I have found nothing that would lead me to reach such a finding in this case.

Was it unfair of Monzo to make the deduction?

As explained above, Monzo was entitled to deduct the amount it did under the terms of relevant regulations. However, Mr W comments that there can be a meaningful distinction between what is permitted by regulation and what is fair in the circumstances. He thinks that, even if permitted, Monzo's deduction of this 'excess' was unfair. I've carefully considered this point.

It seems to me that as a result of the partial reimbursement of the scam payment, both Mr W and Monzo are now in a position of financial loss. The only person who has benefited (or not suffered a financial loss) from the transaction is the criminal scammer paid by Mr W as a result of the scammer's dishonest deception. Neither Mr W or Monzo were at fault here. Neither were responsible for this scam's success. Yet both are now in a position of financial loss despite having no fault or deserving any blame.

Monzo's share of the cost of this crime is one it must incur as the result of regulations created to protect scam victims such as Mr W. As I've set out above, except for the requirements placed on it by the Reimbursement Rules, Monzo would not have incurred any loss here. Without these Reimbursement Rules, that loss would have been solely borne by Mr W. Ultimately the application of the Reimbursement Rules means Mr W has received more back than he otherwise would have (despite that not being the full amount he lost).

With that in mind, and thinking about all of the circumstances here, I'm not persuaded the evidence available to me supports a conclusion that Monzo's application of the

Reimbursement Rules is unfair, in breach of the Treating Customers Fairly principles or the Consumer Duty. It has applied the rules to the extent it is required to do, leaving Mr W in a better position than he would otherwise have been and putting the bank in a worse position. The application of the rules has shifted part of the burden of the financial loss from Mr W to Monzo and the 'excess' deduction has meant that financial loss is now borne in part by both sides. I don't find that unfair.

Mr W argues that Monzo did not do enough to make him aware of the deduction it might later apply. But even if such a failure on Monzo's part could be established (and I am not persuaded it has been) that would not change the outcome I have reached. In what took place, Mr W was acting in good faith. He was the innocent victim of criminal deception, and acted as he did in the belief the transaction was legitimate. With that in mind, even if Mr W had been fully aware in advance that Monzo would make a deduction of £100 from a scam claim, I don't think that would have made any material difference. At that point, I don't think Mr W would likely have thought any such considerations were relevant: he held the justified belief he was entering into a legitimate transaction.

Lastly, Monzo's reference to the deduction as an 'excess' mirrors the wording used by the regulator in the Reimbursement Rules. The Reimbursement Rules are not an insurance contract but are simply a compulsory, additional level of protection PSPs are now required to give to victims of APP scams. While I sympathise with Mr W's dissatisfaction with that choice of wording, it is not wording that Monzo created but simply reflects what is stated in the rules themselves.

I know Mr W is frustrated that there are limits on the extent to which the Reimbursement Rules protect the innocent victims of scams such as he was. And I know he will be disappointed with my final decision on this. But while I have sympathy for the fact Mr W has lost out as the result of a criminal scam, I don't find Monzo at fault and I don't require Monzo to reimburse him more than it already has.

My final decision

For the reasons given above, I do not uphold Mr W's complaint about Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 24 September 2025.

Stephen Dickie
Ombudsman