

The complaint

Mr K on behalf of a limited company which I will refer to as 'K' complains that Monzo Bank Ltd declined to refund it £25,000 which he says it lost as a result of a scam.

What happened

The circumstances of this complaint are well known to both parties so I will not go into every detail of what happened here. But in summary, in June 2023, Mr K invested £25,000 in a company which I will call 'R'. which said it was a rent-to-rent investment scheme. Mr K found the investment opportunity on a property investment group website.

K initially received returns on its investment as expected, totalling £3,000, but these stopped shortly thereafter. R said there were issues causing delays. Mr K said he then realised he had fallen victim to a scam and got in touch with Monzo to ask it to reimburse K's losses.

Monzo declined to reimburse K's losses. It said that it had assessed the claim under the Lending Standard Board's Contingent Reimbursement Model Code ('CRM Code') and found that exemptions to reimbursement applied in this case. It said that K made the payment without a reasonable basis for belief that R represented a legitimate investment opportunity. It also said that K had ignored an effective warning at the time the payment was made.

Mr K did not accept what Monzo had said and so escalated his concerns on behalf of K to our service. One of our investigators looked into what had happened and did not recommend that K's complaint should be upheld. In short, they said they did not think that R had set out to scam K, and so the dispute amounted to a private civil dispute and as such was not covered by the provisions of the CRM Code.

Mr K on behalf of K did not agree with our investigator's view of this complaint. He said that:

- The investment was in rent-to-rent property, which was meant to provide K with monthly returns. They had not seen evidence that the funds sent to R were used for a legitimate purpose.
- There is a recording with a temporary CEO which acknowledges that funds were allocated for Forex trading rather than property investments.
- They had not seen evidence that R had ever managed any properties, but they had sent the funds to a third party that K was unaware of when investing.
- K only ever received one month of returns. Returns were guaranteed for the entire contract duration for every level of investment. It was clear that R made promises that they were never able to realise.
- The promises exactly match the main characteristics of an investment scam – returns are guaranteed and too good to be true. No legitimate company would guarantee returns as any investment carries risk.

- The directors K communicated with have since resigned and left the country. There is a new director in place and the company appears to be active. But K invested over two years ago and the promise of monthly returns was not realised beyond the first month. The website still claims guaranteed returns, despite not providing them for their existing investors. A genuine company would go into liquidation to ensure the original investors were paid first, rather than searching out new clients. K argued that it seemed clear that R never intended to pay the monthly returns and this shows an intent to defraud.
- The fact the company was inviting and accepting new investments shows it was likely a Ponzo scheme.

As no agreement could be reached, the case has been passed to me to decide.

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 have reached the same overall conclusion as our investigator and for broadly the same reasons.

In deciding what's fair and reasonable, I'm required to take into account relevant law and regulations; regulatory rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

I understand Mr K on behalf of K has strong views about what has happened. I want to assure Mr K that I've considered everything they provided to support the complaint very carefully.

It's important to note that I am not deciding a dispute between K and R – I don't have the power to look into a complaint about R. My role is limited to deciding the dispute between K and Monzo. So, I need to decide whether Monzo acted fairly, when declining to refund K. Or whether, as our investigator suggested, it would be fair to conclude that this amounted to a civil dispute and not a scam.

It isn't in dispute that K authorised the payment that left its account. The starting position – in line with the Payment Services Regulations 2017 – is that it is liable for the transaction. But K says that it has been the victim of an Authorised Push Payment ('APP') scam and that R's intent from the start was to deceive it for the purposes of financial gain.

Of particular relevance to the question of what is fair and reasonable in this case is the Lending Standards Board's Contingent Reimbursement Code ('CRM Code'). Monzo was not a signatory to the voluntary CRM Code which was in place at the time of these payments but had agreed to adhere to its principles. This was a scheme through which victims of APP fraud could sometimes receive reimbursement from the banks involved, but only in certain circumstances. The CRM code is quite explicit that it does not apply to all push payments. It says:

"DS2(2) This code does not apply to:

(b) private civil disputes, such as where a Customer has paid a legitimate supplier for goods, services, or digital content but has not received them, they are defective in some way, or the Customer is otherwise dissatisfied with the supplier."

Subsections (a) and (c) have been omitted as they are not relevant to this complaint.

The CRM Code does not clearly define what a 'private civil dispute' amounts to, but a civil dispute can be ordinarily defined as a disagreement about, for example, quality of goods between private individuals or companies. The code broadly describes examples of what is considered an APP scam and this includes where the customer transferred funds to another person for what they believed were legitimate purposes, but which were in fact fraudulent. This can be considered a dishonest scheme, where the payee never intends the same purpose for the funds as the payer. In this case, that purpose from K's perspective would be investing in a legitimate rent-to-rent scheme.

So, I can only apply the CRM Code to K's payments or consider Monzo's liability to them under the CRM Code if I'm satisfied that the payments were made as part of an APP scam. As opposed to a situation where R didn't fulfil the contract with K due to, for example, the business or investment failing, a breakdown in relationship between the two parties or ill health, which would be considered a 'civil dispute' not covered by the CRM Code. Determining if this was a private civil dispute or an APP scam is therefore a key part of deciding the outcome of K's complaint against Monzo.

Is this a scam as per the CRM Code?

The CRM Code at DS1(2)(a)(ii) requires that the payment was made to "*another person for what they believed were legitimate purposes, but were in fact fraudulent.*" So, for this to apply in K's case, there are a number of things which I would need to be satisfied of as well as information I would need confirmation of.

Firstly, I must consider the purpose of the payment and whether K thought this purpose was legitimate. From what we know, K intended to enter into a joint venture with R for a rent-to-rent investment scheme. I cannot see anything which would suggest anything other than K thought they were entering into a legitimate investment. So, this element is satisfied.

What I must now consider is the purpose the recipient had in mind at the time of the payment and whether this was *broadly* in line with what K understood to be the purpose of the payment. And if I were to determine that the purposes of K and R were substantially different, I'd need to be satisfied that this was as a result of dishonest deception, which is significant enough to potentially meet the high bar for criminality.

I've carefully considered the information provided by both Monzo and K, as well as confidential information provided by third parties. Having done so, I do not think the evidence demonstrates that R never intended to act in line with the agreement made, at the time of the payment from K. And so it follows that the aspects alleged to be fraudulent do not indicate that the fundamental purpose was different to what K thought at the time the payment was made. I will explain my reasoning.

I have had the opportunity to review the beneficiary account statements. I am unable to share this information in detail, as it has been provided to our service in confidence. But I am able to summarise the general activity on the account. R's account statements show numerous signs of genuine business activity. By way of example, there were many transactions to a variety of limited companies which do appear legitimate. All of these companies are involved in the property market. When investor funds were received, they were paid to a management company which R had agreed to work with, which I will call 'G', in line with the agreement signed up to by K. There were credits received from G which were then paid to investors. There were payments which are linked to the operation of a genuine business including payments to consultancy firms, accountants, utility providers, marketing, advertising services, fees to property listing sites, and solicitors' fees. This all appears to be

in keeping with a company operating in the property market. The activity appears consistent with the nature of R's business and the investment scheme they offered. I haven't seen evidence that the funds were used for fraudulent purposes, or for Forex trading. The statements also are in line with the updates that the company director provided in relation to settlement payments being received from G after issues between the companies arose.

The account activity does not appear to be indicative of a company that had dishonest intentions from the outset. It does appear that it is more likely that R were a legitimate business which faced issues with G and due to not receiving payments from them, ran into financial difficulties.

R remain active on Companies House. Whilst there is a notice for a compulsory strike off which was published earlier in 2025, there are many legitimate reasons why there may be a proposal to strike off a company which would not be indicative of a fraudulent scheme. This could be merely down to the company no longer operating or failing to file documents.

In 2024 when the previous directors stepped down, there is evidence that this was communicated to investors which shows a level of transparency from R. It has been alleged that the directors stepping down whilst investors were not receiving their returns points to the scheme being fraudulent – however, there are legitimate reasons for this to occur too. The directors could have left for personal reasons or R could have undergone restructuring. The latter appears to be the case here.

The previous directors stated that ownership of R had transferred to a company which I will call 'O'. O are corporate restructuring specialists. Our service has tried to obtain further information with regard to O, but thus far this has not been forthcoming. There have been some allegations that O could not trace the investor's funds – though I have not seen compelling evidence to support this. And even if I were to accept this, it would not provide evidence that a scam had taken place here. I say this because the way R operated was that they were also to pay a management company – G. O would not be in a position to review G's accounts so they would not be in a position to trace the funds. The fact that O were in touch with investors also serves to support the directors' testimony that they reached out to O for assistance during a period of financial difficulty.

One of the main arguments that R were operating a fraudulent scheme is that K and other investors did not receive the returns they were expecting. An investor not receiving returns does not in and of itself show that a scheme was fraudulent. In this case, I can see that R were paying returns on investments up until the point that it started having issues receiving the returns from G. So, based on everything I have seen, it appears most likely that the reason investors stopped receiving returns was due to the breakdown in the relationship between R and G. This was communicated to the investors at the time. As I outlined above, investor funds were paid to G so providing a refund or returns would not have been straight forward for R, as they would not have access to G's accounts.

K has argued that the fact R continued seeking investment after the issues with G arose indicates that R was operating a Ponzi scheme. I am not satisfied this is the case. The available evidence shows that the requests for funding were as a result of the financial difficulties R was in. R provided a detailed explanation of what the benefits of providing funding to it would include. But it was unable to secure any guarantors or funding, so it reached out to O for assistance. So, I think it is likely R were attempting to recover financially, and not that it means there was an intention to scam investors from the outset.

There have been allegations that some investors were allocated the same units, and some properties being at construction phase. However, I have seen no evidence to show R were arranging the allocation of units, nor that G were allocating the units. Even if this was being

arranged, it could be down to something such as an error or poor administration rather than an attempt to defraud investors.

I am sorry to disappoint Mr K on behalf of K, but based on what I have, I cannot conclude that there is sufficient evidence that R were operating as a scam.

I've also considered if there is any other reason outside of the CRM Code why I might ask Monzo to reimburse K's losses. In some circumstances, I would expect Monzo to intervene with unusual or out of character transactions where there are signs that K may be at risk of fraud or financial harm. There was some intervention in this case – and I am not persuaded that any further intervention would have identified any cause for concern about the payment K was making. And so it follows that I do not think further intervention would have stopped K making the payment, or that Monzo could have fairly and reasonably have stopped the payment.

I do empathise with the situation K is in here, I was sorry to read of K and other investors losing money. But I am not satisfied that the evidence I have seen shows that R set out to deliberately defraud investors including K, or that the payments meet the definition of an APP scam under the CRM. So, I do not think it would be fair and reasonable to expect Monzo to reimburse K's losses here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask K to accept or reject my decision before 16 October 2025.

Katherine Jones
Ombudsman