

## **The complaint**

Miss T complains that Monzo Bank Ltd (“Monzo”) won’t refund her the money she lost, after she fell victim to an investment scam.

## **What happened**

The background to this complaint is well known to both parties, so I won’t repeat it all in detail here. But in summary, I understand it to be as follows.

In or around August 2023, following a recommendation from her brother, Miss T became interested in an investment opportunity, with a company I’ll call ‘M’. Miss T has explained that her brother, and his business partner, were already investing in M. With Miss M’s brother first investing in 2022 and with his business partner’s first investment dating back to 2021. She’s said that she was aware that both had been able to successfully make returns and withdrawals from the investment.

Miss T was introduced to somebody who I’ll refer to as ‘G’. Miss T has said that she spoke to G, who lived local to her, and it was explained to her that the investment involved trading and selling currency and offered a return of approximately 10% monthly.

Miss T has said that she carried out some research through Companies House and spoke with her father. She could see that the investment was working for her brother and his business partner, and believing everything to be genuine she decided to invest. Between September 2023 and August 2024, Miss T made a number of transactions from her Monzo account, totalling £10,000. Miss T says she received regular statements, showing returns on her investment and also received regular business updates.

However, Miss T became concerned and suspected she’d been scammed when she heard that other investors were having difficulties making withdrawals. Her concerns that she’d been scammed were confirmed when she received communications from the police which said she, along with multiple other people, had lost money and that a criminal investigation was taking place.

Miss T reported the matter to Monzo, but it declined to uphold her fraud claim. In summary, it didn’t think it had made an error in processing the payments. It added that it didn’t think Miss T had a reasonable basis for belief when making the payments. Monzo did reach out to the beneficiary bank (the bank to which the payments were made) and was able to recover £3,096.24, which was returned to Miss T.

Unhappy with Monzo’s response, Miss T brought her complaint to this service. One of our Investigator’s looked into things and thought the complaint should be upheld in part.

Miss T agreed with our Investigator’s view, but Monzo disagreed. In summary, it didn’t agree with how our Investigator had apportioned the refund from the beneficiary bank. It also didn’t agree with the point from which our Investigator thought Monzo ought to have intervened.

As agreement couldn’t be reached, the complaint was passed to me for a decision.

Ahead of formalising my findings, I reached out to Monzo informally with my initial thoughts. A summary of what I put to Monzo is detailed below;

*Having considered everything carefully I think this complaint should be upheld in full. These payments are covered by the CRM Code, which requires firms to reimburse customers in all but a limited number of circumstances. It is for the firm to establish that one of the exceptions to reimbursement applies. Broadly summarised, the CRM Code allows a firm to not reimburse its customer if it can show that:*

- *The customer ignored an effective warning in relation to the payment being made*
- *The customer made the payment without a reasonable basis for believing that the person or business with whom they transacted was legitimate.*

*Monzo hasn't provided evidence of any warnings shown when any of these payments were made nor has it argued that Miss T ignored an effective warning. As a result, I'm satisfied that exception doesn't apply here.*

*I have noted our Investigator's and Monzo's comments about whether Miss T had a reasonable basis for believing M offered a legitimate investment but am not persuaded by them. Whilst I understand there were some concerning factors, I need to also bear in mind that Miss T isn't an experienced investor. I have considered whether she acted reasonably when making these payments, and whether there were any warning signs that should have alerted her to the possibility that this was not a genuine investment.*

*Miss T has explained that the investment opportunity (with who I'll refer to as 'M') was recommended to her by her brother, who had also invested and who had previous investment experience. Miss T has also confirmed that alongside her brother, her brother's business partner had been invested in M for 2-3 years and had made successful withdrawals.*

*As well as this Miss T spoke to a former employer, who had relayed their positive experience about M. Furthermore, Miss T sought her father's counsel, who she's said had years of investment experience. Miss T's father also went on to invest in M.*

*As well as these positive recommendations from people that she knew and trusted, Miss T also carried out her own checks online, including a search of Companies House, which didn't raise any cause for concern. Miss T also spoke with directors of M before deciding to go ahead. Miss T didn't invest straight away, and it was several weeks, running into months later and only after hearing and seeing these testimonies, did she decide to proceed.*

*I can understand how seeing other people's returns over a period of time gave Miss T the confidence to invest her own funds and the belief that things were genuine. I also think this supports that Miss T didn't proceed with a complete disregard for risk. I'm mindful the returns offered here were substantial and more than you would typically expect. However, they weren't completely outlandish, and given the nature of the investment, it's understandable that a more attractive return might have been offered. Importantly too, I can understand how Miss T would have been persuaded when she saw others receive returns in line with what had been promised.*

*Overall and with all things considered, I think the belief Miss T held was a reasonable one and I'm not satisfied Monzo can rely on this exception to the CRM Code. It follows that Miss T is entitled to a full refund, when considering the principles of the CRM Code.*

Monzo didn't agree with these initial thoughts. In summary it said;

- It considered that it wasn't able to articulate a scam pattern on the initial payments Miss T had made, until the final payment (which was a payment of £5,000 made on 24 August 2024).
- It also thought that liability should be split and that Miss T should share some liability for her loss.

In view of this, Monzo offered to refund Miss T 50% of the final payment she made. This offer was put to Miss T, but she didn't accept it.

As agreement couldn't be reached informally. I will now go ahead and formalise my findings in 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.

I'm aware in her submissions Miss T has referred to other victims, who she says have received refunds after making claims to their banks. But I would point out that, while on the surface complaints may seem quite similar, each complaint is determined by its own individual circumstances. Here, as I'm required to do, I've looked at the individual circumstances of Miss T's complaint.

Having thought about everything carefully, I see no reason to depart from the initial thoughts that I shared with Monzo. I'm persuaded that it is liable for refunding Miss T the money she lost, less a deduction for money that was recovered from the beneficiary bank. I'll explain why.

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, where the customer made the payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for the bank to reimburse the customer even though they authorised the payment.

While not a signatory, Monzo committed to follow the Lending Standards Board Contingent Reimbursement Model (CRM Code), which was in place at the time these payments were made. The CRM Code required firms to reimburse customers who had been the victims of Authorised Push Payment ('APP') scams like this in all but a limited number of circumstances.

#### *Is Miss T entitled to a refund under the CRM Code?*

The CRM Code says that Miss T is entitled to a full refund unless Monzo can establish that an exception to reimbursement applies. It says that a bank may choose not to reimburse a customer if it can establish that:

- The customer made payments without having 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' by failing to take appropriate steps in response to that warning.

There are further exceptions outlined in the CRM Code that do not apply to this case.

*Did Miss T make the payments to M with a reasonable basis for belief?*

I have noted Monzo's comments about whether Miss T had a reasonable basis for believing M offered a legitimate investment but, broadly for the reasons I detailed in my initial thoughts to Monzo, I am not persuaded by them.

In making this finding, I have given careful consideration to how Miss T was introduced to M. She was introduced by her brother and, at the time of investing, she'd seen her brother invest with M and make returns. As well as this, her brother's business partner had also invested, received profits in line with what G had told Miss T could be achieved and had been able to make withdrawals.

I think the relationship Miss T had with her brother, and in turn the relationship that Miss T's brother no doubt had with his business partner, is an important consideration here in determining whether Miss T had a reasonable basis of belief that M was legitimate. I think it would have been compelling for her to have heard first-hand, from people she knew and trusted, about M. And seeing your family and close associates seemingly making the profits expected, and successfully withdrawing profits made from M. So, I can understand why Miss T would have considered it was a genuine investment opportunity that was being presented to her.

I also think the evidence supports that Miss T didn't proceed with a complete disregard for risk. She spoke to G personally, as well as with a former employer who had relayed their positive experience about M. As well as this, she sought her father's counsel, who she's said had years of investment experience (and who also went on to invest in M). As well as this, she carried out research through Companies House and didn't invest straight away. Rather it was several weeks, running into months later and only after hearing and seeing these testimonies, that she decided to proceed.

I do accept some of the claims made by M about the returns it could generate seem unlikely. But, and importantly, I have to weigh up and also consider this alongside what Miss T had been told and what she had seen others seemingly get in returns. I think the aspects of the scam, particularly with Miss T being introduced to M by her brother, and with others already invested and receiving returns, outweighs the concerns that she perhaps ought to have had about the returns being claimed. I also have to bear in mind Miss T wasn't an experienced investor, and it is understandable that she placed weight on what she was seeing and hearing about M from those close to her. So, I can understand why it would have seemed genuine to her.

Overall, and on balance, I think there was enough to reasonably convince Miss T at the time that this was a genuine investment company. With this in mind, I don't think Miss T made the payments without a reasonable basis of belief that M and the investment itself was genuine.

*Did Miss T ignore what the CRM Code deems to be an 'Effective Warning'?*

Monzo has said that it didn't provide Miss T with any warnings when she made the payments. It therefore cannot demonstrate Miss T ignored any 'Effective Warnings' and therefore cannot rely on that exception to reimbursement on those payments.

In any event, I'm also mindful the CRM Code explains that a firm, in assessing whether an exception to reimbursement applies such as ignoring an effective warning, has to take into account whether it would have had a 'material effect on preventing the APP scam.

Here, for reasons I've explained, I'm satisfied Miss T had no reason to believe that M wasn't a genuine investment company at the time. So even if Monzo were to have provided a relevant or tailored warning to Miss T about investment scams – I think it is fair to say it wouldn't have had a material effect on preventing the scam such as her belief in M and that things were legitimate. And, as mentioned above, I'm satisfied Miss T didn't make the payments without a reasonable basis of belief. So, I do not think an exception to reimbursement can be applied for this reason in any event.

### Summary

Overall, and on balance, I'm satisfied that Miss T made the payments with a reasonable basis for believing this was a genuine investment and didn't ignore an 'effective warning'. It follows that I am not satisfied Monzo has established that it can fairly rely on the relevant exceptions to reimbursement under the CRM Code. So, Miss T should be reimbursed for her loss under the provisions of the CRM Code.

I acknowledge there is an ongoing police investigation that might result in some recoveries for victims. In order to avoid the risk of double recovery, I think Monzo would be entitled to take, if it wishes, an assignment of the rights to all future distributions to Miss T under those processes before paying any redress I award to her on this complaint.

### **Putting things right**

For the reasons explained above, I uphold this complaint and now ask Monzo Bank Ltd to:

- Refund Miss T £6,903.76 - being the amount lost, less the amount recovered from the beneficiary bank (subject to an assignment of rights on any potential amount Miss T may receive as a result of the ongoing investigation).
- Pay 8% interest on this amount from the date the claim was initially declined, until the date of settlement.

### **My final decision**

For the reasons given above, my final decision is that I uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 24 February 2026.

Stephen Wise  
**Ombudsman**