

Complaint

Mr H is unhappy that Monzo Bank Ltd didn't refund the money he lost when he fell victim to a scam.

Background

In July 2022, Mr H fell victim to an investment scam. He noticed posts on a social media platform by an influencer who recommended investing with a particular investment manager. He followed a link in that post which led to him being put in direct contact with the company supposedly managing the investments.

He communicated with the company using a well-known messaging platform and I understand he believed his investment was based in speculations on foreign exchange movements. He says he was told that he'd earn a return of "around 20-30%" without risk. He couldn't remember what period of time he anticipated earning this return over. He used his Monzo account to transfer £11,000 in 4 payments. He made two payments on 14 July and two more on 21 July.

When Mr H initially told Monzo about the payments, he claimed that he hadn't authorised them. Monzo investigated his complaint on that basis and found no evidence to support his claim. It was only when Mr H made a formal complaint via a professional representative that he said he'd fallen victim to an authorised push payment (APP) scam.

Monzo considered his complaint under the terms of the Lending Standards Board's Contingent Reimbursement Model (CRM) Code but didn't agree to reimburse him. Mr H was unhappy with that response and so he referred his complaint to this service. It was looked at by an Investigator who upheld it in part – she didn't think Mr H had a reasonable basis for believing this investment opportunity was a legitimate one. Nonetheless, she noted that Monzo should've displayed an effective warning during the payment journey and, in her view, it didn't do so.

Monzo disagreed with the Investigator and so the complaint has been passed to me to consider and come to a final decision.

Findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The starting point under the relevant regulations is that Mr H will generally be liable for payments that he's authorised. I accept that Mr H initially told Monzo a different version of events after he realised he'd fallen victim to a scam. He said he did this out of fear that he'd never get his money back. In any event, the evidence he has now provided does seem to indicate that an investment scam took place and Mr H fell victim to it. It is therefore now common ground between the parties that he authorised these payments and so Mr H is considered liable at first instance.

However, Monzo has agreed to abide by the terms of the CRM Code. Under that code, the starting point is that firms should reimburse customers who have been the victims of authorised push payment (APP) scams, in all but limited circumstances. If Monzo declines to reimburse its customer in full, it needs to establish that one, or more, of the listed exceptions set out in the CRM Code apply. The relevant exceptions are:

- the customer ignored an ‘effective warning’ by failing to take appropriate steps in response to that warning; or
- where in all the circumstances, 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 that the person or business with whom they transacted with was legitimate; or

The Investigator concluded that Monzo could fairly rely on the second exception because she wasn’t persuaded Mr H had a reasonable basis for believing this was a legitimate investment opportunity. I agree with that conclusion.

Mr H should have been more sceptical of an investment opportunity that was offered to him on a social media platform by a business that only communicated with him via a messaging app and, apparently, had no web presence at all. I also think that the tone of the communications between Mr H and the scammer weren’t indicative of a genuine professional organisation. At the very least, this should’ve prompted Mr H to carry out further checks before agreeing to part with his money. But he didn’t do this – he took the claims of the scammer at face value.

Mr H told us that he was promised a return of “around 20-30%” and that this seemed believable. However, he also told us that he wasn’t sure what period of time he could expect to earn this return over and so it’s impossible to know just how significant the promised returns were. A return of 20-30% on his investment in a week or a month would be absolutely extraordinary and simply not credible. But even the promise of such a return over a year ought to have made him sceptical, particularly since I understand he was assured that his upfront capital wouldn’t be at risk.

Finally, the payments he made were to named individuals but those people had no connection to the person he’d been communicating with. I think this should’ve been a cause for concern and prompted Mr H to carry out further checks before agreeing to go ahead with the payments.

However, the CRM Code also sets out expectations that firms are required to meet. SF1(2) in the Code says:

Where Firms identify APP scam risks in a Payment Journey, they should take reasonable steps to provide their Customers with Effective Warnings, which should include appropriate actions for those Customers to take to protect themselves from APP scams.

It also goes on to set out the requirements for an ‘Effective Warning’ by saying that, as a minimum, they should be understandable, clear, impactful, timely and specific.

I’m satisfied that Monzo ought to have recognised a fraud risk from the point Mr H made the first payment of £4,000 and so needed to display a warning. That payment was significantly larger than typical payments made from his account, and it was to a new payee. A warning was displayed but I’m not persuaded it met the criteria for an effective warning.

Essentially, the warning was too broad in scope and attempted to warn Mr H about multiple scam types. It described four scenarios in which Mr H should not proceed with payment. The first and last attempt to address the risk that Mr H has been targeted by a safe account scam. It also told Mr H to stop if "*the offer sounds too good to be true*" – but from Mr H's testimony, he found the returns on offer to be believable and so framing the warning in that way wouldn't do anything to protect him from the risk.

For completeness, I've also considered whether Monzo did everything it should've done once it was notified of the scam. As soon as Mr H realised that he'd fallen victim to a scam, he told Monzo that he wasn't responsible for making the transactions. Monzo responded to Mr H on the basis of that false explanation. It was only when he engaged the services of a professional representative that he claimed to have authorised the payments but to have fallen victim to an APP scam.

This was several months later and so the prospect of any funds remaining in those accounts was very small and I don't find it unreasonable for Monzo to not have made contact with the receiving banks.

Final decision

For the reasons I've explained above, I uphold this complaint in part.

If Mr H accepts my decision, Monzo Bank should refund 50% of the money he lost to the scam. It should add 8% simple interest to this sum calculated to run from the date it declined his claim until the date any settlement is paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 23 November 2023.

James Kimmitt
Ombudsman