

The complaint

Mr M complains that Monzo Bank Ltd ('Monzo') won't refund money he lost as the result of a scam.

What happened

In 2021, Mr M was contacted online by someone who I'll refer to as C. C offered Mr M a way to increase his income by investing through a company I'll refer to as E. Mr M invested and after his initial trades, was told that his investment had generated a £1,600 profit. Mr M wanted to withdraw the funds but was told he had to invest a further £5,000 within a week or he would lose everything. Mr M says that each week C pressured him to invest more money.

Ultimately, when Mr M didn't have any more money to invest, he showed the investment platform to a friend who told him it was a scam.

In February 2022, Mr M reported the scam to Monzo and asked them to refund him.

Monzo declined to refund Mr M saying he hadn't done enough checks. But they contacted the beneficiary banks and were able to recover £1,589.22, which they paid to Mr M.

In June 2022, Mr M was contacted by a company I'll refer to as R. R said they were a law firm and could help him get back the money he'd lost as part of the investment scam. Mr M was asked to pay their legal fees upfront, and he made a payment of £2,350. Unfortunately, this was also a scam.

Mr M reported the second scam to Monzo and asked them to refund him. Monzo declined to refund Mr M saying he hadn't done enough checks on R and their legitimacy. Monzo tried to recover Mr M's funds, but no funds remained.

Mr M wasn't happy with Monzo's response, so he brought a complaint to our service.

Below is a list of the payments that Mr M made as part of both scams.

Date	Pmt	Details of transaction	Amount
		Investment scam – scam 1	
18.11.2021	1	Payment to J	£5,000.00
19.11.2021	2	Payment to J	£8,000.00
19.11.2021	3	Payment to C	£2,000.00
20.11.2021	4	Payments to S	£3,650.00
20.11.2021	5	Payment to N	£ 353.53
20.11.2021	6	Payment to L	£ 730.00
20.11.2021	7	Payment to P	£ 318.92
20.11.2021	8	Payment to E	£ 395.76
20.11.2021	9	Payment to M	£ 963.38
20.11.2021	10	Payment to T	£ 300.00
20.11.2021	11	Payment to S2	£ 328.10

20.11.2021	12	Payment to B	£ 588.93
20.11.2021	13	Payment to L2	£ 341.90
21.11.2021	14	Payment to F	£ 248.76
17.12.2021	15	Payment to cryptocurrency exchange	£ 782.00
31.12.2021	16	Payment to money transfer service	£ 403.21
8.1.2022	17	Payment to S3	£3,000.00
20.1.2022	18	Payment to money transfer service	£2,206.60
20.1.2022	19	Payment to J2	£1,420.00
24.2.2022	20	Payment to M2	£ 60 .00
		Total funds lost to scam 1	£31,091.09
		Recovery scam – scam 2	
8.6.2022	21	Payment to K	£2,350.00
		Total funds lost to scam 2	£2,350

An investigator looked in Mr M's complaint and partially upheld it, recommending that Monzo refund 50% of the payments that Mr M had made and pay interest on that refund.

Monzo disagreed with the investigator's recommendation and asked for the case to be reviewed by an ombudsman.

Having reviewed the case, I found additional payments that the investigator hadn't included as part of their investigation. Also, while I intended to reach the same overall outcome as the investigator, I was making a slightly different redress recommendation and had reached my answer for slightly different reasons. So, I wrote to both parties, letting them know my thoughts and giving them the opportunity to respond before I issued a final decision.

Mr M accepted my recommendation, however Monzo didn't respond. As the deadline has now expired, I have proceeded with issuing my final 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.

Due to these scams happening a few months apart and involving two separate scam scenarios – I've considered the payments relating to each scam separately.

The payments involved in scam 1 (payments 1 to 20)

From what I've seen all of the payments made as part of the first scam, except for the payments to the money transfer service made on 31 December 2021 and 20 January 2022, are faster payments and are covered by the Lending Standards Board's Contingent Reimbursement Model Code (the CRM Code). The two payments made to the money transfer service are card payments, which wouldn't be covered by the CRM Code.

However, having considered the size of the first payment Mr M made being £5,000 and comparing it to his previous account use, I'm satisfied that it was so unusual and out of character that Monzo should've identified a scam risk and intervened by discussing the payment with Mr M – rather than relying on providing an effective warning as set out in the CRM Code. This intervention could've been a call or contact through an in-app chat function.

If Monzo had intervened, I think simple questioning about why Mr M was making the payment, what he knew about C and how he met them would've uncovered the scam and

his loss would've been prevented. I say this because Mr M was taking investment advice from someone he had recently met online, hadn't met in person, and hadn't carried out any checks on. All of the information that Mr M would've given Monzo would've matched with the common signs of an investment scam. On that basis, I'm persuaded that intervention by Monzo would've uncovered the scam and prevented Mr M from making any of the payments that were made as part of scam 1 – preventing Mr M's loss. Therefore, Monzo should refund Mr M for all of the payments he made as part of scam 1.

However, I've also considered whether Mr M should share responsibility for his loss.

Having carefully considered the information, I'm satisfied that Mr M is partly to blame for his loss by not taking reasonable steps to ensure the investment opportunity was genuine. I say this because:

- While Mr M did checks on the investment company E, he didn't research C who was telling him to invest, C's qualifications or their links to E.
- The app that he downloaded in order to trade isn't directly linked to E, whom he thought he was investing through.
- I think Mr M should've been concerned that the returns he was promised were too good to be true.
- Mr M believed that he was investing with or through E but has no paperwork or other documentation that I would expect to see relating to an investment or trading account.
- There is no reasonable explanation for why Mr M would be making payments to multiple different individuals who have no links to C or E.

I think there were enough warning signs that Mr M should've been concerned about the legitimacy of the investment opportunity. Especially considering he was taking advice from someone he'd very recently met online. So, I think he should share his loss with Monzo and they should only refund 50% of the payments he made as part of scam one.

The funds that Monzo recovered from the beneficiary banks relate to payments made as part of scam one, payments 1 to 20. These recovered funds should be deducted from the total of the payments made as part of scam one, with Monzo refunding 50% of the remaining outstanding loss.

The payment made as part of scam 2 (payment 21)

Monzo have declined to refund this payment under the CRM Code, saying that Mr M didn't have a reasonable basis for believing that the firm who contacted him was legitimate. I agree that Monzo can rely on an exception to reimbursement for this payment.

In this scam, Mr M was told R could recover the funds that he'd lost to the investment scam. However, by this point Mr M was aware that the investment funds were lost as part of a scam, and I haven't seen anything that would suggest how a genuine firm would be able to get funds back from a scammer.

Also, there is no paperwork that shows what R was offering to do, what costs were involved, or how they would recover this money. I also haven't seen anything to show what checks Mr M did on R to check their legitimacy. And, based on the information that he had, I think there were enough warning signs that he should've been concerned and completed checks to satisfy himself they were legitimate.

For this payment, Monzo weren't required to give an effective warning under the CRM Code, based on the specifics of the payment including its size, the previous account use and that it

was a single payment. And, unlike the first payment made as part of scam one, I wouldn't have expected Monzo to identify a scam risk or to intervene before processing this payment.

On that basis, I can't fairly ask Monzo to refund Mr M for this payment.

Putting things right

To put things right Monzo Bank Ltd should:

- Refund 50% of Mr M's outstanding loss in relation to the payments made as part of scam one.
- Pay interest on that refund at 8% simple interest per year, from the date the transactions were made until the date of settlement*.

*If Monzo considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr M how much it's taken off. It should also give Mr M a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

My final decision is that I partially uphold this complaint against Monzo Bank Ltd and require them to compensate Mr M as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 16 November 2023.

Lisa Lowe
Ombudsman