

Complaint

Ms V is unhappy that Monzo Bank Ltd didn't reimburse her after she fell victim to a scam.

Background

The background to this complaint is well known to the parties, so I don't intend to set it out in full here. Briefly, in December 2022, Ms V fell victim to an employment scam. She learned about a job opportunity on social media and made contact with the person promoting it. She was told that she could carry out affiliate marketing tasks that primarily focused around leaving fake positive reviews of products with online vendors.

She was given access to an online platform and was told that completing tasks would earn her commission payments. However, the company required that payment be made by participants before any earnings could be returned to them. Some small return payments were made by the scammer. However, they later fabricated reasons why Ms V needed to deposit more money to access her earnings, including paying taxes and charges imposed by the company's bank.

Some of Ms V's losses came from an account with a different bank, but on 31 December 2022 she made the following payments from her Monzo account

1	£2,000
2	£1,610
3	£1,700
4	£791

Once she realised it was a scam, she notified Monzo. It didn't agree to refund her. It thought she hadn't done enough to check whether the opportunity was legitimate before making payments. However, it offered to pay her £100 for the delays she'd experienced in having her complaint investigated.

Ms V was unhappy with that response and so she referred a complaint to this service. It was looked at by an Investigator who upheld it in part. The Investigator considered the complaint under the Lending Standards Board's Contingent Reimbursement Model ("CRM") Code. He said that one of the exceptions to reimbursement under that Code was applicable – specifically, Ms V made these payments without a reasonable basis for believing that the business with which she transacted was legitimate.

However, the Investigator said that Monzo hadn't met its standards under the Code. He thought it should've recognised a fraud risk at the point of the third payment. Where such a risk is identified, the Code requires firms to provide customers with fraud warnings. Monzo had displayed a general warning to Ms V. But the Investigator wasn't persuaded that it was an effective warning under the terms of the Code. He didn't think it was sufficiently specific to

the scam that Ms V had been targeted by. He therefore concluded it was fair and reasonable for Monzo to refund 50% of payments 3 and 4.

Monzo disagreed. It said that the Code only required firms to display tailored warnings where possible. It also said that it thought this scam was quite basic and that Ms V would've ignored any warning it displayed. Because Monzo disagreed with the Investigator's opinion, 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.

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 and the terms and conditions of the customer's account.

However, that isn't the end of the story. Monzo Bank has agreed to follow the Lending Standards Board's Contingent Reimbursement Model Code ("the CRM code"). This code requires firms to reimburse customers who have been the victim of authorised push payment ("APP") scams, like the one Ms V fell victim to, in all but a limited number of circumstances.

Under the CRM Code, a firm may choose not to reimburse a customer if it can establish that:

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

There are further exceptions, but they don't apply here.

I've considered the evidence carefully and, while I accept Ms V did genuinely believe that these payments were being made in connection with a legitimate employment opportunity, I'm not persuaded that that belief was a reasonable one. An acquaintance of hers had been carrying out tasks on the website and had received some commission payments, which persuaded her that the opportunity was genuine. I can understand why she might have taken some reassurance from that, but there were several other indications that the arrangement wasn't above board.

There was no formalisation of the arrangement between Ms V and her employer – for example, there was no written contract and indeed no clear setting out of the terms of her employment. I also think that the rates of commission Ms V was apparently earning weren't realistic for the nature of the work she was doing. That ought to have made her think twice before going ahead with the payments.

Finally, the arrangement was an inversion of the normal employer-employee relationship. In most circumstances, people expect to be paid by their employer, rather than the other way around. As far as I can see, there wasn't really any attempt to explain this unusual arrangement and Ms V doesn't appear to have questioned it. I think she ought to have proceeded only with great caution. Overall, I think it's fair and reasonable for Monzo to rely on an exception to reimbursement here.

I've also considered whether Monzo met the requirements for firms under the CRM Code. The Code says that a firm should display "*effective warnings*" where it identifies a payment instruction that runs a higher risk of being connected with an authorised push payment

(APP) scam. The Investigator concluded that, although Monzo wouldn't have had any reasonable grounds for treating the first two payments as cause for concern, it ought to have taken some steps in response to payment 3. By this point, Ms V had transferred a sufficiently large sum of money in a short space of time that it needed to warn her about the associated scam risk.

I can see that Monzo displayed a general warning as part of the payment process. The text of this warning attempted to help customers guard against several different types of potential scam. As a result, the wording wasn't sufficiently impactful or relevant to the scam that had targeted Ms V and so couldn't constitute an effective warning as defined in the CRM Code.

Monzo argued that the Code only requires it to show a tailored warning "*where possible*" and that it didn't think it was realistic for it to have tailored one for these specific circumstances. I'm not persuaded by that. The type of scam that had targeted Ms V isn't uncommon and certainly isn't so obscure that it would be unrealistic for a warning to be tailored. Finally, Monzo has said that the scam in question was quite basic and so it thinks it's likely that the customer would've ignored a warning that was displayed. However, while I accept that this scam wasn't a highly sophisticated one, I've not seen any evidence to support the contention that Ms V would've simply ignored an effective warning. Overall, I think it ought to have displayed an effective warning in connection with payments 3 and 4. The fact that it didn't means it should refund 50% of those payments under the CRM Code.

For completeness, I also looked into whether Monzo did everything that it should've done once it was told that a scam had taken place. It should have promptly notified the receiving bank that Ms V had fallen victim to a scam so that any remaining funds in that account could be recovered. I don't think it did so promptly here. Ms V reported the scam on 2 January 2023 at 11:10am, but Monzo didn't send any communication to the receiving bank until the following morning. However, I'm mindful of the fact the scam payments were made on 31 December 2022 and weren't reported to Monzo until two days later. Typically, a fraudster will move funds out of a receiving account promptly to frustrate efforts by their victims to recover their money. In all likelihood, it was already too late for it to recover any funds on 2 January and so, even if it had acted in a timelier fashion, I don't think it will have made any difference.

Finally, Monzo agreed to pay Ms V £100 in recognition of some of the customer service shortcomings she experienced around the time she reported the scam. I can see that she did experience delays at the outset and that this caused her some distress and inconvenience. Overall, I think £100 represents a fair sum in recognition of that.

Final decision

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

If Ms V accepts my decision, Monzo Bank Ltd needs to pay her:

- 50% of payments 3 and 4.
- It should add 8% simple interest per annum to those sums, calculated to run from the date it declined her claim under the CRM until the date any settlement is paid.
- £100 in recognition of distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms V to accept or reject my decision before 4 April 2024.

James Kimmitt
Ombudsman