

The complaint

Mrs K complains that Monzo Bank Ltd won't refund the money she lost when she was the victim of a scam.

What happened

Mrs K was the victim of a visa application scam. She was looking to apply to convert her brother's student visa to a skilled worker visa, and a friend of hers recommended a company who could help, which I'll call 'S'. Mrs K made contact with S and agreed to pay £15,000 for S to arrange sponsorship and sort out the visa application for her brother. She initially paid half the amount, in three instalments, and then says she received a letter confirming the sponsorship had been agreed. Mrs K then paid the remaining balance, plus an additional £500 to prioritise the application. During the period she was corresponding with S, Mrs K says she also received details of an appointment to provide biometric data for the visa. Unfortunately, and unknown to Mrs K at the time, she was dealing with scammers.

When Mrs K did not receive any update on the visa, and chased the scammers but received no response, she realised she had been the victim of a scam. She also became aware around this time that the individual she had been speaking with had been arrested for their part in scamming numerous individuals.

Mrs K raised a complaint with Monzo, but it didn't feel it was liable for her loss as it did not consider she had taken enough care to ensure that she was paying someone legitimate. So Monzo declined to refund any of the payments she'd made, it did though pay her £20 to recognise delays in looking into her claim. Mrs K was unhappy with Monzo's response, so she referred her complaint to our service.

Our investigator upheld the complaint. They considered the complaint under the Lending Standards Board's Contingent Reimbursement Model (CRM) Code. Overall, they thought that Mrs K had a reasonable basis for believing she was paying a genuine business for a legitimate service. They also did not consider that any warnings given by Monzo were effective. So they thought Monzo should have refunded Mrs K.

Monzo disagreed with these findings, so the matter has been passed to me for review.

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.

In doing so, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

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, where the

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

The CRM Code is of particular significance here. It requires its signatories to reimburse customers who are victims of scams like this one, unless some limited exceptions apply, and Monzo is not a signatory of the Code, but has publicly agreed to follow it. Monzo says that one or more of the relevant exceptions to reimbursement are applicable in this case.

Specifically, Monzo has said that:

- Mrs K made payments without having a reasonable basis for believing that: the payee was the person she was expecting to pay; the payment was for genuine goods or services; and/or the person or business with whom she transacted was legitimate.
- Mrs K ignored what the CRM Code refers to as an “Effective Warning” by failing to take appropriate action in response to such a warning.

I’ve considered the facts of this case carefully and I’m not persuaded that either exception is applicable here.

I’m satisfied that Mrs K made these payments with a reasonable basis to believe that they were to a genuine business for a legitimate service. Mrs K says S was recommended to her by someone she knew, who said they had used S themselves, and I think this would have engendered a certain level of confidence in Mrs K that S was a legitimate business. Mrs K has also said that she saw S had a genuine office in London and that the payment she was making were to an account in S’ name which reassured her that it was a legitimate business.

I acknowledge what Monzo has said about the official visa process, and that what Mrs K believed she was paying for would appear to be something that circumvents this official process – the implication being that it would therefore be inherently not legitimate and that Mrs K should have known this. But the relevant test regarding a ‘reasonable basis for belief’ isn’t completely objective. It allows me to take into account specific characteristics of the customer in question. And, in this case, I am satisfied that Mrs K didn’t have detailed knowledge of regulations and processes relating to visa applications. So I’m satisfied that she would not have necessarily known that what she was paying for was not likely to be a legitimate service.

I also think it is worth noting that Mrs A does appear to have been sent some paperwork regarding the application. I acknowledge that Mrs K has not been able to provide copies of this, but the records of the chat she had with the scammer specifically refers to them sending her a document relating to the application.

With all of this in mind, and taking into account the particular characteristics of Mrs K, I don’t think she acted unreasonably here. I consider that she had a reasonable basis for believing she was paying a genuine business for a legitimate service.

I’m also not persuaded that the warnings given during the payment process were enough to undermine the reasonableness of Mrs K’s belief. The initial warning given to Mrs K when he set up S as a new payee was generic, and required her to click out of the message by following a link to see any detailed information about scams. The second warning, also given when she made the first payment, did contain a little more information regarding points to look out for. But given the type of scam Mrs K was a victim of, I don’t consider that any of those points would have resonated with her or led her to realise that she could be at risk of fraud.

So, in summary, I don't consider that Monzo can reasonably rely on the exceptions it has detailed. It follows that I consider Monzo should have reimbursed her under the CRM Code.

Putting things right

To resolve this complaint Monzo Bank Ltd should

- Refund the payments made as a result of this scam
- Pay 8% simple interest on this refund, from the date it declined her claim until the date of settlement

My final decision

I uphold this complaint. Monzo Bank Ltd should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 6 June 2024.

Sophie Mitchell
Ombudsman