Financial Ombudsman Service

The complaint

Ms B complains that Monzo Bank Ltd ("Monzo") won't refund her after falling victim to a scam.

What happened

In April 2020, Ms B was looking for a kitchen mixer and found one on an online market place. Ms B said she'd seen ads for people selling the mixer she was looking for, and the prices they were asking ranged from £100 to £260 for a used item. The brand new item was around £350 to £400.

Ms B contacted the seller of the kitchen mixer she was interested in, and says they messaged for a few days before she agreed to buy the item. Ms B asked for photos of the mixer and says the seller provided her with several. She says he told her it was his girlfriend's item and he was selling it for her. Ms B said the seller had a profile on the market place which looked legitimate to her. There were several photos and links to his family members' profiles, and his profile had been in place for eight to ten years. Ms B says there was nothing that looked suspicious to her, so she paid the seller for the mixer. The seller was asking for £200 for the mixer and an additional £10 for the cost to courier the mixer to Ms B. Ms B made the payment by bank transfer on 28 April 2020.

The seller gave Ms B a tracking number for her mixer so she could track the delivery. But after a few days Ms B hadn't received the item, despite the seller assuring her that the mixer had been picked up. So, Ms B contacted the courier firm and was told there was no job logged with the tracking number she'd been given, also they had no record of a parcel being picked up from the seller's address, and didn't have a delivery due to be made to her address.

At this point Ms B became aware that she'd fallen victim to a scam. She contacted Monzo and asked them to recover her funds.

Monzo isn't a signatory of the Lending Standards Board Contingent Reimbursement Model CRM Code (the CRM Code) but has explained that it is committed to applying the principles set out in it. The Code requires firms to reimburse customers who have been the victims of APP scams in all but a limited number of circumstances. Monzo says one of those exceptions applies in this case. It says Ms B made the payment without having a reasonable basis for believing it was a genuine payment. In particular, Monzo says Ms B ought to have done more checks to make sure the payee was legitimate.

Monzo was able to recover £0.26 from the seller's account once they were aware of the scam, which they refunded to Ms B. But as they declined to refund the rest of the payment she made, Ms B brought a complaint to our service.

An investigator looked into Ms B's complaint and upheld it. In summary they felt that Ms B did have a reasonable basis to believe the payment she was making was genuine, and that

Monzo hadn't established that she didn't. The investigator recommended that Ms B be fully refunded under the CRM Code, with interest added to that payment.

Monzo disagreed, so the case was passed to me for 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.

In deciding what's fair and reasonable in all the circumstances of a complaint, 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 consumer 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 consumer even though they authorised the payment.

As I've said above, Monzo has committed to follow the Lending Standards Board Contingent Reimbursement Model (the CRM Code) although they aren't a signatory to the CRM Code. And, the CRM Code requires firms to reimburse customers who have been the victims of Authorised Push Payment (APP) scams like this, in all but a limited number of circumstances.

Under the CRM Code, 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*

There are other exceptions under the Code, but they don't apply in this case, so I haven't included them. Monzo says that Ms B failed to take reasonable steps to verify the seller and check who she was paying, and therefore didn't have a reasonable basis for believing the transaction was legitimate.

So, I've considered whether Monzo should've reimbursed Ms B under the provisions of the CRM Code, or whether it's established that the exception set out above applies in this case.

Did Ms B have a reasonable basis for belief in making the payment?

Having considered everything I'm satisfied that Ms B did have a reasonable basis for belief, for the following reasons:

- The online marketplace that she used to purchase the item is commonly used to purchase goods. It may not be reliable, in the way purchasing new from a retail store would be, but I don't agree with Monzo's point that by using it Ms B should be inherently concerned about scams – particularly taking into account all the circumstances of this case.
- Ms B has told us that she has used this online marketplace before to purchase items and hasn't had a problem like this.
- Ms B checked the seller's profile and saw nothing that made her suspicious or suspect that the seller may not be genuine. The seller's profile had been in place for a number of years and had multiple photos and family members linked to their profile.
- Also, Ms B asked for pictures of the item she was looking to buy and received several different photos. Ms B said there was nothing in the photos that looked unusual. And Ms B communicated with the seller for a few days before agreeing to buy the item, and says the communication was friendly and didn't give her any indication that she should be wary.
- Ms B had done some searches for the item she was looking to purchase and had found used items listed online that ranged in price from £100 to £250. So, the purchase price of £200 (plus postage) that the seller was asking, wasn't unusually low whereby I think it should've raised concerns for her. Ms B says she didn't choose one of the cheaper items as she didn't want to buy something that might break down soon after purchase – which isn't unreasonable. Whereas a brand new product was being sold in stores for £350 to £400. So, the price that item was listed at, doesn't seem particularly concerning.

Having considered everything, I'm not persuaded that there were warning signs or indications that would suggest to me that Ms B should've carried out further checks before the making the payment. Or, that she didn't have a reasonable basis to believe the seller was genuine. Therefore, I'm not satisfied that Monzo can rely on the exception under the CRM Code as a reason to not refund her.

I think Monzo should now fairly and reasonably compensate Ms B by refunding her the money she lost as a result of the scam.

Putting things right

For the reasons I've explained, I've decided that Ms B ought reasonably to have been fully refunded.

I therefore direct Monzo Bank Ltd to pay her:

- The full amount of £210 she lost – less the £0.26 recovered and already paid to her;
- Interest at the simple rate of 8% per year on that amount (less any tax properly deductible) from the date it should have accepted Ms B's claim under the CRM Code to the date of settlement.

My final decision

My final decision is that I uphold this complaint against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 20 October 2021.

Lisa Lowe
Ombudsman