

The complaint

Miss R is unhappy because Monzo Bank Ltd (Monzo) didn't reimburse the money she lost after paying for an item she did not receive.

What happened

Both parties are aware of the circumstances of the complaint, so I won't repeat them all here. But briefly, both parties accept that Miss R was the victim of a scam after she made a faster payment of £286.50 (this was the cost of the item plus the cost of next day delivery) on 28 February 2021. The payment was made through Miss R's mobile app to a seller on a social media platform believing she was purchasing designer trainers.

Miss R was in contact with the seller about the item prior to sending the funds and did ask if she could pay by PayPal. The seller told her that this was not possible due to PayPal fees - as this enabled it to keep their prices competitive.

When Miss R hadn't received her item two weeks later and, the seller stopped responding to her messages, she realised she'd been the victim of a scam and contacted Monzo on 15 March 2021 to report it.

Monzo didn't agree to refund Miss R, as it felt that she hadn't taken steps to check who she was paying and what she was paying for.

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 or more of those exceptions applies in this case. It says Miss R made the payment without having a reasonable basis for believing it was genuine. In particular, Monzo says Miss R ought to have done more checks to make sure she was making a legitimate purchase from a legitimate seller.

One of our investigators looked into Miss R's complaint and thought it ought to be upheld. She didn't believe Monzo had fairly assessed Miss R's claim under the CRM Code and said it hadn't been able to establish Miss R didn't have a reasonable basis for believing she was making a legitimate purchase from a legitimate seller.

As Monzo disagreed the case has been referred to me for a 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.

Having done so, I am satisfied that:

- Under the terms of the CRM Code, Monzo should have refunded the money Miss R

lost. I am not persuaded any of the permitted exceptions to reimbursement apply in the circumstances of this case.

- In the circumstances Monzo should fairly and reasonably refund the money Miss R lost.
- The money was taken from Miss R's current account, having first been transferred from her savings pot. Monzo should also pay interest on the money it should have refunded at the savings account interest rate from the date it declined the claim to the date of settlement.

I'm satisfied that Monzo has not shown that Miss R lacked a reasonable basis for believing that the payment was legitimate because:

- The seller had over 27,000 followers on the social media platform and numerous reviews on purchases from other customers which said items had been received. There was a large number of posts showing parcels which further created the appearance that the seller received large order volumes, along with photos of the parcels at the post office. When looking at the evidence provided of the seller's page, I'm persuaded the photo's posted would have appeared credible when thinking about other small retailers operating through social media platforms.
- The seller had a frequently asked questions page and Miss R discussed with the seller the timeframe for an exchange or refund of the item. In addition, next day delivery was agreed with the seller which I think added credibility that Miss R was dealing with a genuine retailer in the particular circumstances of the case.
- I'm mindful the seller's page was recommended by a university friend of Miss R. And that her experience with the seller was consistent with her experience with another seller via a social media platform where she paid for the item to a personal account and had no issues.
- Monzo has raised the price of the goods was £280 when the item retails for around £650. I've thought carefully about this. Miss R has told us she knew personal shoppers could obtain discounts and that she has a friend who sells trainers online for low prices due to bulk buying, and so she wasn't concerned by the low price. Monzo in its response to our investigator said the seller didn't indicate it was a personal shopper or that it was bulk buying items and therefore, was not a reasonable basis for believe it was genuine. However, given the features of the scam, which I think understandably added credence to Miss R's belief that she was dealing with a legitimate seller, I can understand why she believed the price was reasonable; based on her past experience and positions her friends held. While I accept the goods were cheap, taking into account all the circumstances of the scam as well as Miss R's experience of making purchases via social media, I don't find the price in and of itself enough to conclude Miss R lacked a reasonable basis for belief.

So with all the above in mind, I don't think, in this particular case that the absence of further 'checks' means that Miss R didn't have a reasonable basis for belief that she was paying for genuine goods or transacting with a legitimate person.

Putting things right

Monzo will need to pay back £286.50 to Miss R, along with adding compensatory

interest at the interest rate of the savings account the funds originated from.

My final decision

My final decision is that I uphold this complaint. I instruct Monzo Bank Ltd to:

- Reimburse Miss R by paying her £286.50; and
- Pay compensatory interest at the interest rate of the savings pot (account) the funds originated from, from the date it declined the claim to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 16 November 2021.

Staci Rowland
Ombudsman