

The complaint

Mr S is unhappy that Monzo Bank Ltd won't refund the money he's lost to a fraudster.

What's happened?

Mr S has fallen victim to a purchase scam. He arranged to lease a car from a company he found on a popular social media platform. I'll refer to the company as 'T' throughout this decision.

On 12 January 2021, he paid a deposit of £1,387.22 to T ('the first payment') as well as £412.02 for the first monthly contractual payment ('the second payment'). The payments were made via mobile banking.

Whilst waiting for the car to be delivered, Mr S says he found evidence online that T was operating a scam. He reported the scam to Monzo on 13 January 2021. Monzo contacted the beneficiary bank on the same day, but no funds were returned and Monzo didn't agree to reimburse Mr S under the Lending Standards Board's Contingent Reimbursement Model ('CRM Code') because it said:

Effective warnings

- Mr S was given a 'paying for goods and services' warning during the payment journey of the first payment. The warning was timely, specific and impactful. It was delivered on a bright red screen with the words *"Stop, don't pay"* displayed clearly at the top. The warning went on to say:

"Remember:

*X Bank transfers arranged online or over social media are at a higher risk of fraud
X Bank transfers aren't protected in the same way as card payments*

Pay by card if you can.

You might not be able to get your money back if this does turn out to be a scam. Find a legitimate seller who lets you pay by card."

- Mr S hesitated for 7 minutes after the warning was given, before choosing to continue. Ultimately, he didn't take any action in response to the warning – for example, he didn't attempt to pay via a more secure method.
- No warning was displayed during the payment journey of the second payment as it wasn't to a new payee.

Reasonable basis for belief

- Mr S didn't have a reasonable basis for belief that he was transacting with a legitimate business offering genuine services.
- Car leasing would normally require an in-person meeting and a credit check.
- Mr S didn't do enough to check who he was paying and what for.

- Social media isn't a recognised platform for leasing a car, so Mr S should have taken much greater care – for example, by viewing the car/dealership in-person or pushing to use a protected payment method.
- Mr S didn't check whether he was dealing with a genuine business or the clone of a legitimate business. In this case, he was dealing with a clone company, which had a different website and different social media identifiers to the genuine company.
- Legitimate companies don't use popular messaging platforms for sales communication, as T did, so this should've been a red flag to Mr S.
- The price of the car was too good to be true.
- From messages it's seen between Mr S and T, it's clear that Mr S had reservations prior to proceeding with the second payment, but he went ahead with it anyway.

Mr S was unhappy with Monzo's decision not to reimburse him. So, he asked this Service to consider his complaint. He said:

Effective warning

- He saw Monzo's warning and checked the invoice he'd received from T to make sure the numbers were correct.
- He offered to pay T by card but it requested a bank transfer.
- Given that he had to set-up regular monthly payments for the lease of the car, he thought that initial bank transfers made sense.

Reasonable basis for belief

- He saw good reviews about the cars T had sold to its customers and decided to contact it via a popular messaging service, using the contact details provided on its social media account.
- He doesn't have a very good credit score, and he chose to lease a car from T as it was offering the right deal for him.
- He tried to compare the price of leasing a car from T against other companies, but it was hard as most other companies were offering new cars, and the car he arranged to lease was a used vehicle.
- He thought he was getting a good deal in his circumstances, but not too good to be true.
- He didn't test drive the car he was arranging to lease as he had driven the same make and model previously.
- He had lots of communication with T before sending money to it.
- He used the Driver and Vehicle Licensing Agency's ('DVLA') website to check that the car he was arranging to lease was a genuine car, that it was taxed and that it had a current MOT.
- He looked for T on Companies House and had no concerns – it looked to be an official company, and the name on some of the documents he'd received from T was displayed on Companies House.
- He received documentation from T in relation to the lease, and everything matched-up.
- He had to upload a picture of his driving licence for T, and this gave him the impression that it was official.

What did our investigator say?

Our investigator wasn't satisfied that the warning Monzo gave Mr S during the payment journey was impactful enough to be considered an effective warning under the CRM Code, so she didn't think Mr S had ignored an effective warning. She also thought that Mr S had a

reasonable basis for believing he was making legitimate payments. Our investigator concluded that Monzo should reimburse Mr S under the CRM Code.

Monzo didn't agree and asked for the complaint to be escalated to an ombudsman. It said:

- It gave Mr S a timely, specific and impactful warning, which he ignored. It is not reasonable to expect a more specific warning than Mr S was given in the circumstances.
- There were more professional and secure methods of contacting the legitimate business.
- Mr S may have checked Companies House, but it would only have shown that a company exists in T's name.
- Mr S says he checked that the car existed, but not that it was owned by T or that they were eligible to lease it.
- Mr S trusted positive reviews posted on the scammer's social media account but did not look for independent reviews. If he had done an internet search on T or checked the Financial Conduct Authority's ('FCA') register, he would've been presented with information that would have shown he was being scammed.
- Car retail services were not allowed to open at the relevant time, due to the pandemic. This should have been a red flag to Mr S.
- The car lease terms were too good to be true.

The complaint has now been passed to me to decide.

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.

Monzo is a signatory of the CRM Code, which requires firms to reimburse customers who have been the victims of Authorised Push Payment ('APP') scams, like the one Mr S has fallen victim to, in all but a limited number of circumstances. Monzo has argued that two of the exceptions apply in this case. It says that Mr S ignored an effective warning it gave during the payment journey and he made the payments without a reasonable basis for belief that the payee was the person he was expecting to pay, the payment was for genuine goods or services and/or the person or business he was transacting with was legitimate.

Effective warning

The CRM Code says:

- SF1(2)(e) As a minimum, Effective Warnings should meet the following criteria*
- (i) Understandable – in plain language, intelligible and meaningful to the Customer*
 - (ii) Clear – in line with fair, clear and not misleading standard as set out in Principle 7 of the FCA's Principles for Businesses*
 - (iii) Impactful – to positively affect Customer decision-making in a manner whereby the likelihood of an APP scam succeeding is reduced. This should include steps to ensure that the Customer can reasonably understand the consequences of continuing with an irrevocable payment;*
 - (iv) Timely – given at points in the Payment Journey most likely to have impact on the Customer's decision-making;*
 - (v) Specific – tailored to the customer type and the APP scam risk identified by analytics during the Payment Journey, and/or during contact with the*

Customer.

I've considered the warning Monzo says it gave Mr S during the payment journey of the first payment and I appreciate that it tried to provide an effective warning. But overall, I'm not satisfied it can reasonably be said that the requirements of the effective warning exception were met. I don't think the warning was impactful or specific enough.

It's clear to me that Monzo's warning attempts to prevent purchase scams, but I don't think the warning makes the risk of falling victim to this particular type of purchase scam obvious to its customers. The warning is bright red and says "*Stop, don't pay*". But then it just advises that bank transfers arranged online or over social media are at a "*higher risk of fraud*" and that bank transfers "*aren't protected in the same way as card payments*" so "*Pay by card if you can*". It doesn't explain how fraudsters impersonate genuine companies or really bring to life what the type of scam Mr S fell victim to looks like. Nor does it talk about the prevalence of this type of scam or explain how sophisticated the scams can be – it doesn't, for example, say that clone companies can appear genuine and look the same or very similar to the legitimate company they are impersonating.

Overall, I'm not satisfied that a reasonable person in Mr S' position would fully understand the scam risk from the warning Monzo gave.

The circumstances of this scam made the warning even less effective. Considering Mr S' testimony about the research he did before making the first payment, and the evidence he's provided from his dealings with T, I'm satisfied that he didn't appreciate there was a risk that he was transacting with a scam company that was impersonating a legitimate business. The checks that he says he went away and did after reading Monzo's warning support this – he was checking that the payment he was sending was correct rather than ensuring he was dealing with a legitimate business. If Monzo had really brought to life what a scam of the nature Mr S fell victim to looks like then I think this would've been important contextual information that would've affected Mr S' decision making and led him to take additional steps to protect himself from financial harm.

Reasonable basis for belief

I'm satisfied that Mr S had a reasonable basis for belief in this case because:

- Mr S has explained why he chose to lease a car from T rather than using, what may be considered, a more traditional route. He's said he didn't have a very good credit score, and T was offering the right deal for him. In the circumstances, I find his explanation persuasive and reasonable.
- He's said that he checked Companies House for T and was reassured by what he saw, and that he checked the car out on the DVLA's website. T also had good reviews on its social media account. I understand that he hasn't provided backdated evidence of this, but I've found his testimony to be consistent and plausible, and I've no reason to doubt what he's said.
- I've seen the messages that passed between Mr S and T. I'm satisfied that the scammer responded to Mr S over several days in a professional, convincing and informative manner.
- The scammer provided Mr S with more pictures of the car upon request.
- The evidence shows that Mr S had to complete an application form and direct debit mandate, and e-sign a contract to lease the car. He received an invoice and terms and conditions. And he's said he had to upload a picture of his driving licence. This made the process seem official to him. I've looked at the documentation he received from T and I think it looks professional on the face of it.

Monzo has pointed to a number of extra steps that Mr S could've taken to protect himself, and it's said that some features of the scam should've rung alarms bells for Mr S. I acknowledge Monzo's points but, as I've said above, I don't think it made the scam risk clear to Mr S. Overall, I think the fraud was sophisticated and I don't think it's unreasonable that it went undetected by Mr S.

Monzo has said the messages between Mr S and T show that he had reservations prior to proceeding with the second payment, but he went ahead with it anyway. I've reviewed those messages and although I can see that Mr S became concerned after he made the second payment, especially when T stopped communicating in the way he was accustomed to, I'm not persuaded they show he had concerns beforehand – he simply asks T to confirm that it wants him to set the payment up.

Conclusions

To conclude, I'm satisfied that Monzo should have reimbursed the money Mr S lost to this scam under the terms of the CRM Code. I am not persuaded that any of the permitted exceptions to reimbursement apply in the circumstances of this case.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint and instruct Monzo Bank Ltd to:

- reimburse Mr S' loss within 28 days of receiving notification of his acceptance of my final decision; plus
- pay 8% simple interest per year from the date Mr S should have received a full refund under the CRM Code to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 11 April 2022.

Kyley Hanson
Ombudsman