

The complaint

Mr M complains that Monzo Bank Ltd won't refund money he lost, which he believes was the result of a scam.

Background

Based on the submissions of both parties, I understand the background to be as follows.

Mr M has said he saw a sofa set he was interested in buying. He said he'd found the company on social media, saw they had a large following, celebrity endorsements and that there were press articles about the company in the news. Mr M made enquiries with the company about the cost of the sofa he liked, which it provided. A few months later, Mr M contacted the company again to place an order and discuss specific measurements of the set in more detail.

Mr M was told delivery would take 12 weeks and was provided the company's bank account details to make a bank transfer to. As this was during the Covid pandemic and the set was being made bespoke to Mr M's requirements, Mr M considered the timescales to be reasonable and made a payment by mobile bank transfer to the company for £3,089.

When 12 weeks had passed, Mr M asked the company for an update and was told orders were delayed by around four weeks. Mr M waited again, but when he tried to contact the company at the end of this four week period, they were no longer responding to emails and their phone lines weren't active.

Mr M looked online and saw reviews left by other customers who'd had the same experience. At this point Mr M realised he may have been the victim of a scam and contacted Monzo to raise a claim.

Monzo looked into things and declined his claim, as it did not believe Mr M had taken sufficient steps to satisfy himself that he was paying a legitimate company. It also said it provided a warning to Mr M when he was making the payment online, advising him to ensure this wasn't a scam.

Mr M disagreed and referred the complaint to our service. One of our investigators looked into things. He didn't uphold Mr M's complaint, as he considered this was a dispute between Mr M and the seller. In summary, he said this was because; the company Mr M paid appeared to be a legitimate business, which had provided a number of customers with furniture that it had committed to and the seller was detailed on Companies House.

Overall, our investigator said he couldn't safely say that the furniture company set out with the intent to defraud Mr M. He didn't think there was anything about the payment Mr M made that ought to have caused Monzo concern that Mr M may have been at risk of financial harm. Our investigator also considered whether there was any other form of protection for the type of payment Mr M made, but he didn't think there was.

Mr M didn't agree with the investigator's opinion. In summary, he didn't agree that this wasn't a scam and maintained that Monzo should've done more to protect him.

As an agreement couldn't be reached, the complaint has now been passed to me for a decision.

My findings

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 have been good industry practice at the time.

Having thought very carefully about Monzo's actions, I'm not intending to uphold Mr M's complaint. I do appreciate how disappointing this will be for him, but I don't think I can fairly say Monzo should reimburse him. I'll explain why.

I'm really sorry to hear of what's happened to Mr M, and I appreciate this has had a significant impact on him, both financially and emotionally. It's understandable, having lost such a significant sum, why Mr M feels he has been the victim of a scam. But not all cases where individuals have lost significant sums are in fact fraudulent and/or a scam.

When considering what is fair and reasonable in this case, I've also thought about the Lending Standards Board's voluntary Contingent Reimbursement Model (CRM Code), which Monzo has committed to follow (although it isn't a signatory) and was in force at the time Mr M made the payment.

Under the CRM Code, the starting principle is that a firm should reimburse a customer who is the victim of an authorised push payment (APP) scam. I've thought about if the CRM code applies in the circumstances of the payment Mr M made and, in particular, whether Monzo ought to reimburse him under the provisions of the CRM Code. But the CRM Code is quite explicit that it doesn't apply to all push payments. It says:

"DS2(2) This code does not apply to:

(b) private civil disputes, such as where a Customer has paid a legitimate supplier for goods, services, or digital content but has not received them, they are defective in some way, or the Customer is otherwise dissatisfied with the supplier"

Subsections (a) and (c) have been omitted as they are not relevant to this complaint.

Having considered everything provided by both Mr M and Monzo, I've not seen anything that I can safely say meets the high legal threshold and burden of proof for fraud. Rather, this appears to be a case of a legitimate business failing and not being able to honour its customer's orders as a result of going into liquidation.

It's clear the agreement Mr M entered into with the company did not go as planned and he has not received what he was expecting. And I can understand entirely why he feels so strongly about what has happened. There may even have been some sharp practice in terms of how the company was operated. But I can't safely say with any certainty, that the company set out with an intent to defraud.

The company Mr M paid was a registered limited company, which had been incorporated in 2018 and whose principle activity was the manufacturing of soft furnishings and the retail of furniture. And I'm mindful that it appears the company had a large following, with many reviews indicating other customers had orders successfully completed.

I understand that this company was brought to the attention of Trading Standards, but I'm not aware of the outcome of any ongoing investigations by Trading Standards, or any other authority, which would lead me to safely conclude there was an intent to defraud. Based on what I've seen, while I can't rule out there may have been some questionable sales tactics, I've not seen anything that I can safely say meets the high legal threshold and burden of proof for fraud.

Rather, this appears to be a case of a legitimate company that has fallen into liquidation and subsequently been unable to meet its obligations to its customers. So, on balance, taking into account everything that's been said and provided, I can't fairly conclude that Mr M has been a victim of a scam or that the company he made his payments to was operating fraudulently.

This being the case I'm satisfied the CRM Code doesn't apply. And I can't fairly ask Monzo to refund the money Mr M has lost, as I don't think Monzo treated Mr M unfairly when it decided not to refund him. And I don't think there was anything else Monzo could have done to prevent his loss. I appreciate Mr M thinks Monzo should've done more to protect him when making the payment, but as I haven't determined that this payment was a scam, I can't conclude that Monzo should've done more before processing the payment or that this would've made a difference, based on the research Mr M had already conducted on the company to satisfy himself that it was legitimate.

I realise that my decision will be disappointing for Mr M. But overall, for the reasons I've explained I can't fairly or reasonably ask Monzo to refund the money Mr M has lost.

My final decision

My final decision is that I don't uphold Mr M's complaint against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 15 November 2021.

Kirsty Upton
Ombudsman