

The complaint

Miss T is unhappy that Monzo Bank Ltd won't refund the money she's lost to a fraudster.

What's happened?

Miss T has fallen victim to a purchase scam.

On 2 January 2021, Miss T sent £240 via faster payment to buy a pair of trainers from a seller she had found on a popular social media platform. She says that the seller's social media account seemed legitimate and she'd seen positive reviews. The trainers she purchased were normally priced at around £180-£190, but she was happy to pay more on this occasion because prices were increasing due to limited stock.

When Miss T didn't receive the trainers within a reasonable timeframe, she reported the matter to Monzo. Monzo contacted the receiving bank the day after Miss T got in touch with it, but no funds remained in the beneficiary account. And Monzo declined to reimburse Miss T under the Lending Standards Board's Contingent Reimbursement Model ('CRM Code') because it said that she didn't take enough steps to check who she was paying and what for.

What did our investigator say?

Our investigator found that Monzo should have reimbursed Miss T under the provisions of the CRM Code. He didn't think that Monzo had given Miss T an effective warning during the payment journey and he didn't feel that Monzo had been able to establish that Miss T had no reasonable basis for belief when she made the payment.

Monzo didn't agree. It said that it hasn't cited giving Miss T an effective warning as a reason not to reimburse her. But it doesn't think she had a reasonable basis for belief because, it says:

- The deal was too good to be true. The retailer originally sold the trainers Miss T was attempting to purchase for around £225, but they've been out of stock on the retailer's website for some time. The retailer is currently selling a more recent style for around £220. But the trainers Miss T wanted to buy are a rarer style that are no longer being produced. If she had paid for the same trainers on a trusted online marketplace, it's likely she would have paid around £329 for them.
- The seller offering items to purchase for much less than their retail value or the average price on trusted online marketplaces should've raised red flags about the legitimacy of the items and/or the seller.
- The availability of a no questions asked model and size of a limited stock item should have been concerning.
- Social media is not a sales platform and is commonly used to sell stolen/illegal goods. A genuine seller of high-end products would not use social media.
- It accepts that Miss T saw pictures of the trainers but that's no guarantee that a person owns them and has them available for sale.
- Miss T trusted the seller because of reviews on their social media account and did

not attempt to independently verify the seller.

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 isn't yet a signatory of the CRM Code, but it's allowed us to apply the Code's principles to complaints we consider against it which meet the relevant criteria.

The CRM Code requires firms to reimburse customers who have been the victims of Authorised Push Payment ('APP') scams, like the one Miss T says she's fallen victim to, in all but a limited number of circumstances. Monzo has argued that one of the exceptions applies in this case. It says that Miss T made the payment without a reasonable basis for belief that the payee was the person she was expecting to pay, the payment was for genuine goods or services and/or the business or person she was transacting with was legitimate.

Monzo has been clear in stating that it doesn't wish to argue that Miss T ignored an effective warning that it gave during the payment journey. So, I won't address this in any detail. But for the sake of completeness, I've looked at the warnings Monzo gave and I'm not satisfied it can reasonably be said that the requirements of the effective warning exception were met. I don't think the warnings were impactful or specific enough.

In thinking about whether Miss T had a reasonable basis for belief, I've considered what steps she took to reassure herself about the legitimacy of the transaction, and whether it was reasonable for her to proceed with the payment.

Monzo has pointed to some extra steps it says Miss T could've taken to protect herself, and it's said that some features of the scam should've rung alarm bells for Miss T. I appreciate that there's more Miss T could've done to protect herself here – for example, she doesn't appear to have attempted to pay for the trainers via a more secure method than bank transfer. But from what I've seen, I'm satisfied overall that she had a reasonable basis for belief on this occasion. I say this because:

- I don't agree that genuine sales aren't conducted on social media platforms in recent times, and I don't think this should necessarily have been a red flag to Miss T.
- Miss T has said she relied on positive reviews on the seller's social media account to verify the seller and I don't think this is unreasonable or uncommon in the circumstances. Often, this is one of the only real ways to check the authenticity of seller's on social media platforms and online marketplaces.
- I can see that Miss T was shown pictures of the item she wished to purchase, in the seller's possession. Of course, as Monzo has said, this could have been a stolen image. But in light of the surrounding circumstances, I don't think it was unreasonable for Miss T to believe that it wasn't.
- I don't agree that the price of the trainers was so low that it was too good to be true and should've put Miss T on guard. She paid more for the trainers than she would've done if she'd bought them from the retailer when they were in stock, and she paid around 80% of the price she'd have paid for the trainers if she'd bought them using the online marketplace Monzo has referred to.
- I can see from the evidence that Miss T received a confirmation of payee match during the payment journey, which would have undoubtedly reassured her that she was paying the person she was expecting to pay.

- Miss T did take some steps in an attempt to protect herself. She asked the seller if she was able to pay an initial deposit, rather than the full price straight away. But she was ultimately told this wasn't an option.
- I can see that Miss T continued to talk to the seller about buying other items after she had paid for the trainers. It seems to me that she genuinely believed she was transacting with a legitimate seller. I don't think she would have considered doing further business with them if she'd believed otherwise.

Overall, I don't think it's unreasonable that the scam went undetected by Miss T.

To conclude, I'm persuaded that Monzo should have reimbursed the money Miss T lost to this scam under the terms of the CRM Code. I'm not satisfied 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 Miss T's loss within 28 days of receiving notification of her acceptance of my final decision; plus
- pay 8% simple interest per year from the date Miss T 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 Miss T to accept or reject my decision before 28 April 2022.

Kyley Hanson
Ombudsman