

The complaint

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

What happened

Mr B saw an advert for a laptop computer on a social media online marketplace. On 28 June 2020, Mr B made contact with the seller and the following day made a payment of £670 for what he thought was the purchase of the laptop computer. Unfortunately, his money was taken and the laptop computer he thought he was buying was never sent to him.

Monzo declined Mr B's claim for a refund because it felt that Mr B didn't take enough steps to check who he was paying. It said it felt he had placed his account at risk and didn't take reasonable steps to keep his details safe.

Our investigator upheld the complaint, he considered that Monzo did not give an effective warning and that Mr B had a reasonable basis for believing he was making a genuine payment.

Monzo didn't agree. It said the warning was it gave was effective and Mr B did not have a reasonable basis for belief.

As the case could not be resolved informally, it's been 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. There's no dispute here that Mr B authorised the payment.

However, where a customer makes a payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for the bank to reimburse the customer even though they authorised the payment. When thinking about what is fair and reasonable in this case, I've considered whether Monzo should have reimbursed Mr B in line with the provisions of the CRM Code it has agreed to adhere to and whether it ought to have done more to protect Mr B from the possibility of financial harm from fraud.

There's no dispute here that Mr B was tricked into making the payment. He thought he would receive a laptop in exchange for his money and this wasn't the case. But this isn't enough, in

itself, for Mr B to receive a refund of the money under the CRM Code. The Code places a level of care on Mr B too.

The CRM Code

Monzo has agreed to adhere to the provisions of the Lending Standards Board Contingent Reimbursement Model (the CRM Code). 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.

It is for Monzo to establish that a customer failed to meet a requisite level of care under one or more of the listed exceptions set out in the CRM Code.

Those exceptions are:

- Mr B ignored an “effective warning” in relation to the payment being made.
- Mr B made the payment without a reasonable basis for believing 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 with whom Mr B transacted was legitimate.

There are further exceptions within the CRM Code, but they do not apply in this case.

Taking into account all of the circumstances of this case, including the characteristics of the customer and the complexity of the scam, I am not persuaded the concerns Monzo has raised about the legitimacy of the transaction Mr B was making are enough to support its position that he failed to meet his requisite level of care under the CRM Code for the payment he made. It follows that I do not think Monzo has been able to establish that it may choose not to reimburse Mr B under the terms of the CRM Code.

Having thought about what both sides have said and provided, I consider Mr B had a reasonable basis for believing the payment he was making was for a genuine laptop and that the person he was transacting with was a legitimate seller. In reaching that conclusion, I have thought carefully about what it is realistic to have expected Mr B to do when he was paying the sum of £670.

Did Mr B have a reasonable basis for belief?

I think Mr B took enough care with a relatively modest payment of £670 to say that he had a reasonable basis for believing he was buying a laptop from a genuine seller. I say this because:

- Mr B says he checked the social media profile for the seller and saw numerous photos of the seller and the profile looked to go back sometime. This persuaded him that he was dealing with a legitimate person.
- During the exchange in messages, the seller gave Mr B his address explaining it was ‘for your security’. Mr B says he discovered this address led to a business owned by relatives with the same name as the seller; thus, reassuring him further of the legitimacy of the person and the sale.
- Mr B also says he checked prices for similar items through the same social media marketplace and on other online marketplaces. The price he was quoted was similar and - in my view - was a fair reflection of the market value for a second-hand laptop like this at that time.
- Mr B also received a ‘green’ confirmation of payee match when entering the account holders name. This further reassured him that he was dealing with a genuine seller. When he initially entered the sellers name, he received a ‘maybe’ match and I can

see from the messages Mr B went back to the seller for confirmation of his name before trying again. Mr B quickly realised he had made a mistake when entering the name as confirmed in the messages with the seller. When he re-entered the name, he received a full name match and he had no reason to believe he wasn't dealing with a genuine person.

I have considered Monzo's arguments carefully, but I don't find them persuasive. I am not persuaded Mr B needed to make extensive enquiries in the particular circumstances of this case. Also Mr B had never purchased from this website before and so had no previous experience or knowledge about its operation. Mr B made the payment via bank transfer but the seller seemed open to accept payment by PayPal as well. I've thought carefully about the sum Mr B paid and how the seller communicated with him and I think Mr B's actions and assessment of the situation were appropriate and proportionate to the payment of £670.

Should Monzo have done more to try and prevent the scam and protect Mr B?

I've thought about whether Monzo did enough to protect Mr B from becoming a victim of a scam. The CRM Code says that where firms identify APP scam risks in a payment journey, they should provide effective warnings to their customers. The Code also says that the assessment of whether a firm has met a standard or not should involve consideration of whether compliance with that standard would have had a material effect on preventing the scam.

I am also mindful that when Mr B made this payment, Monzo should fairly and reasonably have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things).

In this case, Mr B was making a relatively modest payment. I don't think the amount of this payment would have made it stand out enough for Monzo to have been concerned that Mr B might have been at risk of financial harm from fraud at the time that he made it. The payment was relatively low in value. So, I don't think Monzo should have identified an APP scam risk in the payment journey or that it needed to provide Mr B with an effective warning.

That said, Monzo has said a 'high friction warning' for goods and services was shown. Although I should add that Mr B says he doesn't recall seeing a warning at all at the time. And I note there are discrepancies between the time of the transaction (20.38) and the time of the warning - according to the audit trail Monzo has provided (09.38). However, I've still considered whether seeing the warning at the time the payment was made should have entered Mr B's thought processes.

Looking at the warning Monzo says was provided, I can see it 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. The warning is bright red and says "Stop, don't pay. It's very likely this is a scam." But then it simply 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". It recommends to "Pay by card if you can." But, it doesn't cover the common features of this type of goods scams or really bring to life what the type of scam Mr B fell victim to looks like. And it doesn't explain in sufficient detail what Mr B could have done to protect himself against this type of scam. Overall, I'm not persuaded that a reasonable person in Mr B's position would fully understand the scam risk from the warning Monzo gave.

Taking account of all the circumstances here, which includes the warning messages Monzo says it gave, I don't think Mr B's actions fell below the level of care expected of him in this

situation. I think Monzo ought to have fully refunded Mr B at the time he reported the loss and so it should fairly and reasonably compensate him by refunding that loss now.

Did Monzo do enough to recover Mr B's funds?

In light of my conclusions above, it is not necessary in this case to consider whether the bank also exercised enough care and urgency in trying to recover the stolen funds from the payee bank before they were irretrievably removed by the scammers. But for completeness, I've thought about whether Monzo took reasonable steps to recover Mr B's funds once it was made aware he was the victim of a scam. The scam payment was made on 29 June 2020 and Mr B reported the scam to Monzo on 3 July 2020. Monzo contacted the receiving bank on 4 July 2020 (several hours after Mr B first contacted it) but no funds remained. The receiving bank confirmed that funds were removed from the account on 30 June 2020 – the same day as they were received into the account. So even if there was a slight delay in Monzo contacting the receiving bank, I don't consider it would have made a difference as the funds had been removed a few days before Mr B first notified Monzo of the scam.

I'm satisfied the bank processed Mr B's payment correctly and it did all it could to help him once it knew what had happened. But, overall, the CRM Code explains that where a customer has met their requisite level of care (which as I've explained, I'm satisfied was the case here) they should be refunded all of the money that was lost. So, I think it's fair that Monzo refunds the money Mr B lost, along with interest.

Putting things right

In order to put things right for Mr B I instruct Monzo Bank Ltd to:

- refund Mr B's loss of £670
- pay 8% simple interest on the refund from the date his claim was declined to the date of settlement.

My final decision

My final decision is that I uphold this complaint and require Monzo Bank Ltd to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 9 June 2022.

Kathryn Milne
Ombudsman