

The complaint

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

What's happened?

Mr W saw a private advert for a van on a well-known online marketplace. On 29 October 2020, he says he contacted the seller via telephone and had a long conversation with them about the vehicle. He was told that the seller had put the van up for sale because they wanted to upgrade, and there had been a lot of interest in it. The seller gave Mr W their contact and bank account details, and they said that the first person to send a deposit – which would be fully refundable in the event the buyer was unhappy with the vehicle upon inspection – would secure the van. When Mr W asked if the seller would accept payment through the online marketplace, they said they'd experienced issues with this payment method in the past and would prefer a bank transfer.

Mr W says he verified the information the seller had provided by running a HPI check on the vehicle, checking the seller's address on an internet map service, and considering the vehicle servicing information available to him. Everything he had been told checked out, so he sent the seller a £3,000 deposit via faster payment to secure the van.

A viewing was arranged for 31 October 2020 at the seller's residential address. When Mr W arrived at the address, it became obvious that he'd been scammed, and he reported the matter to Monzo. Monzo contacted the beneficiary bank on the same day, but no funds were recovered from the scammer's account and Monzo didn't agree to reimburse Mr W.

What did our investigator say?

Our investigator thought that Monzo should reimburse 50% of Mr W's loss under the provisions of the Lending Standards Board's Contingent Reimbursement Model ('CRM Code').

Monzo didn't agree, so 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 CRM 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 Mr W 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 W ignored an effective warning it gave during the payment journey and he made the payment 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.

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 [Financial Conduct Authority] 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 an 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 W during the payment journey 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. It’s very likely this is a scam.*” 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 cover the common features of vehicle scams or really bring to life what the type of scam Mr W fell victim to looks like. And I’m not satisfied that it explains in sufficient detail what a customer can do to protect themselves against this type of scam. Overall, I’m not persuaded that a reasonable person in Mr W’s position would fully understand the scam risk from the warning Monzo gave. I think that a straightforward explanation of how these scams work would likely have caused Mr W, and any other reasonable person, some concern and had a ‘material effect’ on preventing the scam.

I’ve gone on to think about whether Mr W had a reasonable basis for belief. I’ve considered what steps he took to reassure himself about the legitimacy of the transaction, and whether it was reasonable for him to proceed with the payment.

I’ve seen evidence which suggests that the seller had priced the van at around £10,000 less than the market value for vehicles of this type. The advert for the van says it is a fairly new vehicle with relatively low mileage and that it’s in immaculate condition, with a full-service history. Considering everything, I think the price of the van was too good to be true. And the seller was requesting almost half of the full purchase price as a deposit. Overall, I would’ve expected Mr W, or anyone else to be put on guard.

Mr W has said he carried out some checks before paying the deposit – he ran a HPI check on the vehicle, looked at the address the seller had given him on an internet map service, and checked the vehicle servicing information to make sure the van’s mileage was correct. But he didn’t carry out any substantial checks on the seller, or make sure the van belonged

to them. It's difficult for me to understand why he didn't take such steps as it seems that he appreciated there was a risk to the transaction. He's said he asked if he could pay via the marketplace (presumably because this is a more secure method of payment) but was put off by the seller. And I've seen text messages between Mr W and the seller in which he asks to see the vehicle logbook (which would prove ownership of the van) *after* he paid the deposit – he said he wanted to see it before completing the purchase. The logbook was not received prior to Mr W discovering he'd been scammed.

Ultimately, Mr W went ahead with paying the deposit despite the obvious red flag of the price of the van being too good to be true and the deposit being high, and his apparent reservations and knowledge that there were further documents he could look at to protect himself in the transaction. I appreciate that the seller applied some pressure by telling him there'd been a lot of interest in the van and letting him know that a deposit would secure it until he could inspect it. Perhaps Mr W was keen to secure the vehicle in the circumstances and was willing to take the risk involved in sending payment to the seller. But overall, I can't reasonably conclude that he had a reasonable basis for belief on this occasion.

Overall, because Monzo failed to provide Mr W with an effective warning and that failure is likely to have had a 'material effect' on preventing the scam, but Mr W also lacked a reasonable basis for belief in making the payment, Monzo should refund 50% of Mr W's loss under the provisions of the CRM Code.

Considering the value of the payment, I also think that Monzo should have been alerted to the possibility that Mr W was at risk of financial harm and it ought reasonably to have done more to prevent this scam – by asking Mr W some questions about the payment and adequately explaining the risk to him. Had it done so, I think it's likely that Mr W's decision-making would've been affected, and he would've taken steps to protect himself from fraud. If he had, I think the scam would've unfolded and he wouldn't have gone ahead with the payment. The relevance of this finding is that Monzo ought to have prevented the loss, rather than just reimbursed Mr W under the provisions of the CRM Code. It follows that Monzo should pay Mr W interest from the date of loss, rather than the date it decided not to refund Mr W under the CRM Code. I still think that Mr W should bear 50% of his loss though, because I'm persuaded that he ought to have done more to protect himself from financial harm.

Finally, I've considered whether Monzo took reasonable steps to recover Mr W's funds, and I think it did. It contacted the receiving bank on the same day as Mr W reported the scam to it and I'm not persuaded that it could've taken any further action that would've led to the recovery of Mr W's funds.

My final decision

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

- reimburse 50% of Mr W's loss within 28 days of receiving notification of his acceptance of my final decision; plus
- pay 8% simple interest from the date of payment to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 28 April 2022.

Kyley Hanson
Ombudsman