

The complaint

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

What's happened?

Ms F says she saw a private advert for a van on a well-known online marketplace. She's used the marketplace many times in the past without any problems. She contacted the seller and was told that the van was still available to buy for £3,500. The seller sent her various photographs of the van, as well as the vehicle's specifications and MOT details. Ms F thought that the van was being sold for a reasonable price and she saw that the seller had 100% positive feedback from previous buyers, which reassured her. The seller also provided her with a picture of their passport, which gave her confidence in the purchase.

It was agreed that Ms F would pay the seller via PayPal and the van would be delivered to her. She was told that she could check the van on delivery and return it within 5 days to receive a full refund if she wasn't happy with it. The seller sent her a link to what appeared to be PayPal's website, and she was directed to make a faster payment in a secure live chat. After she'd paid, she received an invoice from the seller and a PayPal receipt which looked legitimate.

When the van didn't arrive by the expected delivery date, Ms F contacted the seller who indicated that there had been a mix-up with the delivery company. A new delivery date was agreed. This happened twice more. When the van wasn't delivered a third time, and the seller stopped corresponding with her, Ms F realised she had been the victim of a scam. She contacted PayPal and was informed that she'd used a spoofed website to pay the seller (Ms F says it looked professional and sophisticated to her, it even had a browser padlock icon to indicate that it was a secure website).

When Ms F reported the scam to Monzo, it declined to reimburse her because it said that the international payment she had made was not covered by the Lending Standards Board's Contingent Reimbursement Model ('CRM Code'). Monzo reached out to the beneficiary bank on the same day that Ms F reported the scam to it, but no funds remained.

Ms F wasn't happy with Monzo's position. She said it should have noticed that the transaction was unusual and made some basic enquiries about it before processing it and/or advised her about the scam risk.

What did our investigator say?

Our investigator thought that Monzo could have prevented Ms F's loss. So, he recommended that it fully reimburse her.

Monzo didn't agree with our investigator and 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 has said that the CRM Code doesn't cover international payments, and that is correct. But that's not the only consideration here.

It's common ground that Ms F 'authorised' the payment. So, even though she didn't intend to pay a fraudster, the payment was 'authorised' under the Payment Services Regulations. Monzo had an obligation to follow Ms F's payment instructions, and Ms F is presumed liable for the loss in the first instance. But that's not the end of the story.

Taking into account the law, regulator's rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider that Monzo should:

- Have been monitoring accounts and payments made or received to counter various risks, including fraud and scams, money laundering, and the financing of terrorism.
- 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 (amongst other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which banks are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps or made additional checks before processing a payment, or in some cases declined to make a payment altogether, to help protect its customers from the possibility of financial harm.

I've looked at Ms F's account activity in the six months prior to the scam. The payment of £3,500 was relatively high value, for significantly more than any other recent payments out of the account, went to a new payee and was made in Euros (payments made in another currency are not usual for Ms F's account). So, I think it stood out as unusual and out of character, and I think it's reasonable to expect Monzo to have asked some further questions about it.

It doesn't appear that Ms F was coached by the fraudster, so I think she would've spoken freely if Monzo had asked her some questions about the payment. And I think it's most likely the scam would have become apparent at this point.

Ms F has said she had no concerns about making the payment for various reasons. But I think that Monzo had or ought to have had a good enough understanding of how vehicle scams work – including that fraudsters often purport to sell vehicles which don't exist or don't belong to them on online marketplaces, that they usually send enough information about a vehicle to reassure a customer without allowing them to inspect it in person and that they more often than not offer a money-back guarantee if a buyer is unhappy with a vehicle upon delivery – to have been able to identify the risk of harm from fraud if it had asked her some probing questions. Monzo would most likely have also uncovered that the payment was going to a different destination, in a different currency to what Ms F thought, and that she'd clicked a link the seller had sent her in order to make the payment.

If Monzo had done enough, I think it would most likely have been obvious to the bank and Ms F that there was a risk of financial harm, and the scam would've unfolded without the £3,500 payment being made. Of course, Monzo could also have declined to make the payment altogether if Ms F had still wanted to go ahead despite its warnings, and given the circumstances here, I think it would've been reasonable for it to do so.

I appreciate Monzo needs to strike a balance in the extent to which it intervenes in payments, against the risk of unduly inconveniencing or delaying legitimate payment requests and I wouldn't have expected it to interrogate Ms F. I also acknowledge that the main perpetrator here is the fraudster. But overall, I think appropriate questions should reasonably have been asked in this case, and if they had been Ms F wouldn't have wanted to go ahead or, if she did, Monzo could've declined to make the payment altogether. Either way, I think the scam would've been prevented and Ms F wouldn't have suffered a loss.

Considering everything, I think the fair and reasonable outcome is to uphold this complaint and instruct Monzo to reimburse Ms F's loss and pay 8% simple interest per year from the date of payment to the date of settlement.

I've thought about whether Ms F should bear some responsibility by way of contributory negligence, but I don't think she should. I'm satisfied that her explanation on why she wasn't concerned about the transaction is reasonable. She's said that:

- She's used the online marketplace before without any problems.
- She received photos of the van she intended to purchase and information about it.
- The seller sent her a copy of their passport and had 100% positive reviews from previous customers on the online marketplace, which reassured her.
- The vehicle was reasonably priced.
- She thought she could return the van and receive a full refund if she wasn't happy with it upon delivery.
- She thought she was paying the seller via PayPal (a reasonably secure method of payment) and the website she was directed to looked professional and sophisticated, it even had a browser padlock icon to indicate that it was a secure website.
- She received a PayPal receipt which looked legitimate.

I think that all of the above was enough to satisfy a reasonable person. Overall, I don't think there was any contributory negligence on this occasion.

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 Ms F'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 of payment to the date of settlement.

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

Kyley Hanson
Ombudsman