

The complaint

Mr F complains Monzo Bank Ltd didn't reimburse the money he lost when he was the victim of a scam.

What happened

Both parties are aware of the circumstances of the complaint, so I won't repeat them all here. But briefly, both parties accept that Mr F was the victim of a scam after he made a faster payment of £4,000. He made the payment to purchase several computer graphic cards he'd seen advertised for sale on a popular social media platform.

Mr F had initially seen the graphic cards for sale on the social media platform and then contacted the seller to obtain more information. Initially the seller had three graphic cards available but advised that they would be getting more in stock. There was contact over a number of days. Mr F's friend – who was also contributing to the purchase – also spoke to the seller about the item. Ultimately a price of £10,000 was agreed for 10 graphic cards with Mr F and his associates paying half as a deposit upfront with the seller advising they would send the three graphic cards they had in stock while obtaining the rest to fulfil the order. One of Mr F's friends sent £1,000 and Mr F then sent the remaining £4,000 via his mobile app.

Mr F sought to obtain information about the delivery and tracking details, but the seller provided excuses and then stopped responding to Mr F's messages. Mr F realised he'd been the victim of a scam and contacted Monzo to report it.

Monzo didn't agree to refund Mr F. It said it didn't consider he'd taken sufficient steps to check who he was paying and what for.

Monzo isn't a signatory of the Lending Standards Board Contingent Reimbursement Model CRM Code (the "CRM Code") but has explained that it is committed to applying the principles set out in it.

The CRM Code requires firms to reimburse customers who have been the victims of APP scams in all but a limited number of circumstances. Monzo said one or more of those exceptions applies in this case. It said it gave a scam warning and that Mr F made the payment without having a reasonable basis for believing it was genuine. Monzo said Mr F ought to have done more checks to make sure he was making a legitimate purchase from a legitimate seller.

One of our investigators looked into Mr F's complaint and thought it ought to be upheld. The investigator didn't believe Monzo had fairly assessed Mr F's claim under the CRM Code. They didn't think that Monzo had provided an effective warning prior to Mr F making the payment. And they didn't agree that Monzo had been able to establish Mr F made the payment without a reasonable basis for believing he was making a legitimate purchase from a legitimate seller.

Monzo disagreed with the Investigator's opinion and maintained its position. As the matter hasn't been resolved, I have been asked to make a final decision on the outcome of Mr F's complaint.

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.

Having done so, I am satisfied that:

- Under the terms of the CRM Code, Monzo should have refunded the money Mr F lost. I am not persuaded any of the permitted exceptions to reimbursement apply in the circumstances of this case.
- In the circumstances Monzo should fairly and reasonably refund the money Mr F lost.
- Monzo should also pay interest on the balance not yet refunded at a rate of 8% simple per year. This interest should apply from the date Monzo first declined to refund Mr F under the CRM Code, to the date of settlement.

As I've said above, the CRM Code requires payment service providers to reimburse customers who have been the victims of authorised push payment (APP) scams, in all but limited circumstances. If Monzo declines to reimburse its customer in full, it is for Monzo to establish that its customer failed to meet the requisite level of care under one, or more, of the listed exceptions set out in the CRM Code itself. Those exceptions are:

- where in all the circumstances, the customer made the payment without a reasonable basis for believing that: the payee was the person the customer was expecting to pay, the payment was for genuine goods or services, and/or that the person or business with whom they transacted with was legitimate; or
- the customer ignored an 'effective warning' by failing to take appropriate steps in response to that warning.

There are further exceptions within the CRM Code, but none of these are applicable here.

After having carefully considered all of Monzo's submissions, I'm satisfied that Monzo has not shown that Mr F made the payment without a reasonable basis for believing that he was paying a legitimate seller for a legitimate item or ignored an effective scam warning. I will go on to explain why I have reached this finding.

Did Mr F have a reasonable basis for belief when making the payment?

Mr F spotted the computer graphic cards on a well-known social media platform. He engaged with the seller over a number of days – initially through the social media website and then through direct messages. From reviewing the correspondence between the seller and Mr F, the seller came across as knowledgeable about the product and its usage and also about similar products in this area – all of which would have undoubtedly reassured Mr F. Fraudsters are adept at gaining peoples trust – and I find that this was the case here. I also don't find that the price Mr F was paying was 'too good to be true' whereby Mr F should reasonably have had doubts about the legitimacy of the items or the seller. I'm mindful Mr F was also intending on buying multiple graphics cards, with the seller giving reasons as to how the products were being sourced.

While I agree the seller was keen to complete the transaction, I don't consider it was overly pushy whereby it could be considered concerning to Mr F that something might not be right. The seller had advised they had taken down the advert, but the graphic cards were in demand. The seller was also clever in gaining Mr F's trust by explaining that people had sought to buy multiple items before but didn't follow through and sought clarification that Mr F had the funds for the multiple items he was intending to purchase and that he would need to relist the items if not.

Mr F did initially seek to collect the items in person, but as Mr F had liaised with the seller multiple times and the seller had built trust with Mr F over the messages, the seller was able to give plausible explanations to Mr F as to why it wasn't possible and that delivery was easiest. The seller had also provided their identification and bank card to Mr F's friend and Mr F had provided his ID to the seller also. So I think by this point Mr F was assured that he was dealing with a legitimate person, had seen their ID and didn't think anything was amiss in having the items delivered. And in any event, I also don't find it particularly unusual to pay for an item online and have it delivered rather than necessarily seeing it in person first.

Mr F also explored paying through another payment method which the fraudster subtly and cleverly worked around. Again I don't think Mr F would have been on notice that anything untoward was going on here. As mentioned above, Mr F's friend also obtained the ID of the seller and a picture of their bank card – which all matched and were the details Mr F used when making the payment. All things considered, I can see why Mr F would have been reassured, after liaising and messaging with the seller, that he thought he was dealing with a legitimate seller for legitimate items when making the payment.

Did Mr F ignore an effective warning?

In its response to our investigator Monzo explained that reimbursement was being denied on the grounds of reasonable basis for belief, and not because it considered Mr F had ignored an effective scam warning. Monzo explained that it believes it was prevented from providing an effective scam warning through Mr F's selection of 'something else' as a payment reason rather than 'paying for goods/services'. I've taken account of Monzo's point here, but the relevant test when considering reimbursement is whether the bank can establish that Mr F ignored an effective warning - and not whether Monzo was prevented from providing a more appropriate warning.

In saying this, the CRM Code does permit a business to deny reimbursement where it can be established that the customer was grossly negligent. But for the avoidance of doubt I don't find that Mr F was grossly negligent here – either in his choice of payment purpose or for any other reason.

I've explained above why I'm satisfied Mr F had a reasonable basis for believing he was making a legitimate purchase, and overall, I'm satisfied that Monzo hasn't established any of the permitted exceptions to reimbursement apply here. It follows that Monzo should reimburse Mr F for the losses he suffered.

My final decision

For the reasons outlined above, I've decided it is fair and reasonable to uphold Mr F's complaint about Monzo Bank Ltd. I therefore require Monzo Bank Ltd to pay Mr F:

- The balance of the money lost through this scam, being the sum of £4,000 less any sums already reimbursed or otherwise refunded; and,
- 8% simple interest per year on that amount calculated from the date Monzo Bank Ltd originally declined Mr F's claim until the date of settlement.

I direct Monzo Bank Ltd to pay compensation, as set out above, within 28 days of receiving notification of Mr F's acceptance of my final decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 12 August 2022.

Matthew Horner
Ombudsman