

The complaint

Mr S complains that Monzo Bank Ltd won't refund money he says he lost as a result of a scam

What happened

Mr S found a laptop he wished to purchase listed on a popular online marketplace. He and the seller exchanged messages. After requesting and receiving a picture of the unopened laptop box showing the serial number, Mr S agreed to meet at a location chosen by the seller.

The location was revealed to be a car park where Mr S was met by someone who, as promised, had the laptop. After Mr S inspected it and checked the serial number, he made a faster payment of £680 to whom he believed was the seller.

After the payment was made, Mr S says the seller asked to 'hotspot' his phone signal (an action he now believes was an attempt to distract him). Two other individuals then approached and attempted to steal the laptop. Fearing they were armed with a knife, Mr S relinquished the laptop and fled. He says that the seller and the two other individuals spoke to each other in a way that suggested they were acquainted, and he believes the robbery was planned.

Mr S reported the matter within minutes to both the police and Monzo.

Monzo aren't signatories to the Lending Standards Board Contingent Reimbursement Model Code ("CRM Code") but they have agreed to adhere to its principles. The CRM Code requires a firm to reimburse a customer who has fallen victim to an authorised push payment scam ("APP scam") in all but a limited number of circumstances. In this case, Monzo said that Mr S wasn't the victim of an APP scam, but rather involved in a civil dispute, so the CRM Code doesn't apply.

One of our investigators upheld Mr S' complaint. They didn't agree that the matter was a civil dispute. Instead they were persuaded that the robbery was planned by, or with, the seller. They also didn't think that any of the exceptions to reimbursement under the CRM Code applied. So, they recommended Mr S be refunded in full.

Monzo didn't agree. In summary it said:

- There isn't enough evidence to support the finding that the sale and robbery were linked and some details of Mr S' account of events weren't mentioned when the matter was first reported

- The seller was likely legitimate and may also have been a victim
- Mr S was satisfied with the goods he received. Once a transaction is complete the owner is liable for what happens to those goods
- There was nothing concerning about the location of the sale and, as a public space, it was in line with the online marketplace's guidelines on where sales should take place
- In any case, the warnings it provided were, in fact, effective and it would be impossible to provide a specific warning about this very unusual set of circumstances
- Though it maintains the CRM Code doesn't apply, even if it did, it would have concerns that the price Mr S was offered was too good to be true

As no agreement could be reached, the case was passed to me for a final 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.

Monzo largely doesn't seem to dispute Mr S' version of events. And, neither do I. He's provided persuasive evidence of what happened – including his interactions with the seller and his contact with the police.

Monzo does, however, question whether the robbery was linked to the sale, or just an unfortunate coincidence. It also questions why Mr S didn't mention that the seller asked him to provide a 'hotspot' when he first reported the matter.

While I accept there might not be proof that the sale and robbery were linked, I only need to make a finding based on the balance of probabilities – what is more likely than not to be the case.

Mr S would have to be extremely unfortunate to have been the victim of a random robbery so soon after receiving the laptop. Monzo have suggested that it is an assumption to reach this conclusion, but not only are incidents of this type rare across the entire country, statistics available online show that the particular postcode has a lower crime rate than the national average. But that's not the only thing that persuades me that the robbery wasn't a coincidence.

The location appears to be a residential area with several entries and exits. It's likely to be a quiet location with few people around. This, I think, lessens the possibility that the sale was happened upon by strangers. It also could make it quite an attractive location for a robbery. Most persuasively though, the aspect of the sale that Monzo itself has suggested was concerning – the very low price – indicates that the seller had no actual intention of relinquishing the laptop.

I also don't think Mr S' story has changed in any substantive way. I note that the account he originally gave to Monzo came very soon after the incident itself, when Mr S was frantically reporting the matter. I can't see that he was asked in any detail about the events (then or later), so I don't find it surprising that more details have subsequently emerged.

I'd also note that, despite suggesting that the seller might have been an innocent party or even a victim of the scam too, Monzo did report the matter to the recipient's bank and were

informed that no funds remained. There is no suggestion that the receiving bank investigated its customer and concluded they were the innocent victim.

So, on balance, I'm satisfied that the sale and robbery were linked.

Monzo don't think such a scenario is covered by the CRM Code, but I disagree. The test (so far as is relevant here) under DS(1)(2)(ii) is whether:

'The Customer transferred funds to another person for what they believed were legitimate purposes but which were in fact fraudulent.'

As I'm satisfied the robbery was planned, it follows that the transfer of funds was part of that plan and the purpose of the transfer was not legitimate, as the intention was always to recover the laptop.

So, I'm satisfied this matter should be considered under the provisions of the CRM Code. Monzo appear to argue that it did provide an 'Effective Warning' (an exception to reimbursement under the Code) but also that its warning couldn't be any more specific because of the uniqueness of the circumstances. It hasn't commented in any detail on whether Mr S lacked a reasonable basis for belief in making the payment (another exception to reimbursement under the Code), though it has said that the low price should have been concerning.

For the sake of completeness, I think Mr S did have a reasonable basis of belief that the recipient of his payment was legitimate. Though he clearly had some concerns about both the price and the location of the sale, crucially he didn't make the payment until he'd seen the goods. At that point it was entirely reasonable for him to believe that the transaction was genuine. What came next could not have been foreseen.

In relation to warnings, the fact Monzo couldn't have given a more specific warning because of the unusual circumstances, is unfortunate for it, but not particularly relevant here. I'm only considering whether Mr S ignored an Effective Warning.

Monzo have provided a number of warnings as part of their submissions – both those it displays on what it considers to be relatively low risk payments and those for higher risk payments. But, it appears that Mr S was only presented with the lower risk payment warning. The only relevant part of that warning instructs its customer to 'Stop' if (among other less relevant circumstances) 'the offer sounds too good to be true'. I can't agree that such a warning is effective – it's not specific to Mr S' circumstances (and covers off several different types of scam) and doesn't do anything to bring alive what a scam involving the sale of goods might look like.

In any case, it would be difficult to see how a warning would be effective in Mr S' circumstances (even if he was, in fact, presented with the higher risk warning). While the price Mr S paid for the laptop was lower than what he might otherwise have expected to pay, when he made the payment he'd seen the goods in person and any concerns about the price or circumstances of the sale would likely have been dispelled. As Monzo has pointed out, it would be very difficult for a warning to be effective in such an unusual set of circumstances. So, I don't agree that Mr S ignored an Effective Warning under the CRM Code.

I'm satisfied that the CRM Code applies here and, as no exception to reimbursement can be demonstrated, Mr S should be reimbursed under its provisions. It's not entirely clear what Mr S would have done with the money had it not been for the scam but it appears he has

been deprived of the funds and therefore I think interest should be paid at 8% simple per annum from the date Monzo declined Mr S' claim to the date of settlement.

My final decision

I uphold this complaint about Monzo Bank Ltd and instruct it to pay Mr S:

- The amount lost - £680, less any money recovered or returned
- 8% simple interest on that amount from the date Monzo rejected Mr S' claim under the CRM Code to the date of settlement

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 15 July 2022.

Rich Drury
Ombudsman