

The complaint

Mr S is unhappy that Monzo Bank Ltd won't refund him after he lost money to a car finance scam.

Background

Both parties are aware of the circumstances of the complaint, so I won't repeat them all here. But briefly, both parties accept that in July 2021, Mr S was looking for a vehicle to lease and came across a page on social media that offered this service. Mr S contacted the page and discussed available options in more detail by phone and messaging services.

Mr S has explained before agreeing to leave a vehicle, he checked the business name on Companies House and found it existed. He also identified the registered director was the same individual he believed he had been speaking to. Unfortunately Mr S was in fact speaking to a fraudster, who had 'spoofed' a legitimate business.

Mr S received a falsified lease agreement from the fraudster and agreed to make an initial payment of £1,086.75 towards the lease. He was then advised his direct debit wouldn't be set up in time for the first payment, so paid a further £724.50 to cover his first month's lease.

When Mr S's car didn't arrive as agreed Mr S realised he'd been the victim of a scam and contacted Monzo to raise a claim.

Monzo has committed to follow the Lending Standards Board Contingent Reimbursement Model (CRM) Code (although it isn't a signatory) which requires firms to reimburse customers who have been the victims of APP scams like this in all but a limited number of circumstances. Monzo says one or more of those exceptions applies in this case.

Monzo considers Mr S didn't have a reasonable basis for believing he was making a genuine purchase. It said Mr S should've completed more checks to confirm the legitimacy of who he was paying. It also said it provided Mr S with an effective warning when making the payment to the fraudster.

Mr S feels he should be refunded and so has referred his complaint to us. An investigator looked into the complaint and thought it ought to be upheld, with Monzo providing a full refund. As Monzo disagreed with the investigator's view, the complaint has been passed to me for a final decision.

Findings

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 S 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 S lost.
- The money was taken from Mr S's current account. It is not clear how Mr S would have used the money if Monzo had refunded it when it should have done, so Monzo should also pay interest on the money it should have refunded at 8% simple per year from the date Monzo decided not to refund Mr S under the CRM Code to the date of payment.

I have carefully considered Monzo's representations about whether Mr S had a reasonable basis for believing the transaction to be genuine and whether he ignored an effective warning. But they do not persuade me to reach a different view. In particular I am not persuaded that Mr S failed to take the requisite level of care required for Monzo to choose not to reimburse under the terms of the CRM Code.

I'm satisfied that Monzo has not shown that Mr S lacked a reasonable basis of belief. I appreciate Monzo's comments that the lease was cheaper than others it has identified online and that social media and messaging services aren't how genuine businesses conduct sales, particularly those selling leasing contracts. However, I've also considered that, in the circumstances of this case, Mr S completed quite considerable checks to try and protect himself – checking whether the business was registered, reviewing the director's details and conducting a HPI check (albeit taking this additional step after the first payment had been made). Monzo has argued there is nothing to suggest the individual Mr S was speaking to was linked to the genuine company he'd researched, but I think this is easier said in hindsight, or with a greater knowledge of scams. In this case, a fraudster had taken steps to spoof a legitimate company and create a false social media page impersonating them. I think it's fair to say that most individuals who saw a social media page with the same name and details as a genuine company would assume the two are linked – and I don't think Mr S acted unreasonably on this basis.

While the price Mr S paid was less than other sellers were offering, I think it's less straightforward to identify this as a buyer for a leased car than, for example, buying a car outright, as price would be dependent on more variables such as lease terms and so not as easily comparable. In any event, I don't think the price was so much lower that it should've alerted Mr S that this offer was 'too good to be true'. I think it's also fair to say that it's becoming increasingly common for genuine businesses, particularly smaller ones, to conduct business and sales via social media and messaging sites.

I also don't think the warning Monzo presented Mr S with would be considered as 'effective' under the Code as it's not specific to the particular scam Mr S fell victim to. However having said that, considering the relatively low value of the payments Mr S was making (and therefore a lesser indication that Mr S may be a risk of fraud), I don't consider there was a requirement on Monzo's part for an effective warning to be provided.

So in summary, I'm not persuaded that Monzo has shown that Mr S lacked a reasonable basis of belief for making the transactions in question, or that he ignored an effective warning. Monzo should therefore refund the money Mr S lost to the fraudster.

My final decision

For the reasons I've explained, my final decision is that I uphold Mr S's complaint against Monzo Bank Ltd. I require Monzo Bank Ltd to:

- Refund Mr S the £1,811.25 he lost to the scam
- Pay 8% simple interest, from the date Monzo declined Mr S'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 August 2022.

Kirsty Upton
Ombudsman