

The complaint

Mr A complains Monzo Bank Ltd didn't reimburse the money he lost when he was tricked into paying for an item he did not receive.

What happened

Both parties are aware of the circumstances of the complaint, so I won't repeat them in detail here. But briefly, both parties accept that Mr A was the victim of a scam when he attempted to purchase a second-hand Apple Pencil from a private seller on an online marketplace.

Having seen the advert, Mr A had contacted the seller to obtain more information about it. The seller provided information including an address, and a video showing the item supposedly for sale. Mr A says he also checked the seller's social media profile, which appeared legitimate to him.

Mr A says he sent the seller an initial payment of £40 to secure the item and later sent a second payment of £30.30 when the seller said the item had been posted. Both payments were sent by Faster Payments transfer from his Monzo account.

However, later that day the item hadn't arrived. Mr A asked the seller for a tracking number but got no response. He received no further contact from the seller despite chasing. The following morning, he reported what had happened to Monzo as a scam.

Monzo didn't refund Mr A. It didn't dispute that Mr A had been the victim of a scam but said that Mr A hadn't exercised sufficient caution when he'd made these payments.

Monzo isn't a signatory of the Lending Standards Board's 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 circumstances (or exceptions) applies in this case. It said Mr A made the payments without having a reasonable basis for believing he was paying a legitimate seller for a genuine item. In particular, it didn't think the evidence Mr A had relied on was sufficient to have proved this.

One of our investigators looked into Mr A's complaint and thought it ought to be upheld.

The investigator didn't believe Monzo had fairly assessed Mr A's claim under the CRM Code. He didn't agree that Monzo had been able to establish that Mr A made the payments without a reasonable basis for believing he was making a legitimate purchase from a legitimate seller. He thought that, taking into account all the circumstances around the purchase, Mr A had taken sufficient care.

Monzo maintained its position. So, I have been asked to make a final decision on the outcome of Mr A'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 A 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 that Mr A lost.
- The money was sent from Mr A's current account. It is not clear how Mr A would have used the money if Monzo had refunded it when it should have done. But if Monzo had refunded the money when it ought reasonably to have done, Mr A would not have been deprived of it for the time he has. So, 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 A, to the date of settlement.

I'm satisfied that Monzo has not shown that Mr A made these payments without a reasonable basis for believing that he was paying a legitimate seller for a legitimate item. I consider the steps he took were proportionate in the circumstances. I will go on to explain why I have reached this finding.

I've taken into account the evidence provided by both sides. Under the terms of the CRM Code, the victim of an APP scam such as this should be reimbursed unless the bank is able to establish that one (or more) of the exceptions to reimbursement can be applied.

Monzo argues that Mr A relied on evidence which didn't prove the seller was genuine. I agree with Monzo on the points it raised in response to the investigator's view, including: that a social media profile can be faked; that the photo and video of the item didn't prove the seller intended to send them; that paying in two stages didn't provide any greater safety.

But, while none of this evidence could have provided conclusive proof that the seller was legitimate, that is not the test required under the CRM Code. Mr A merely required a reasonable basis for believing this was legitimate, in all the circumstances.

And while none of the steps he took gave conclusive proof, I'm satisfied the evidence indicates that Mr A had taken a number of steps to validate the seller and the item. This included seeing the item, the seller's social media profile, and address. While it is now clear that these were false, I'm not persuaded that this should have been readily apparent to Mr A at the time. On the contrary the details he was provided with seemed consistent with what he believed at the time and served to reinforce that belief.

Monzo has previously pointed to the fact that the provider of the recipient account did not participate in the Confirmation of Payee scheme, this should have caused Mr A concern that the payee details might have been invalid. However, this was an absence of confirmation, not a negative result. This would have looked no different had it turned out that Mr A was paying a legitimate seller holding an account at that destination.

I've also thought about the points raised by Monzo concerning the number of friends shown on the social media profile. The seller apparently had 42 which Monzo considers indicates the profile was not genuine, on the basis that this is too low a number. I am not persuaded

that this follows. I don't think this did (or reasonably should have caused doubt for Mr A).

Monzo also notes that the profile showed a different town to the address the seller gave to Mr A as his current address. I don't think Mr A noticed this at the time – but I don't think that even if he had this would have caused any concern. I say that given he believed he was paying a seller who appeared to be a relatively recent graduate and so might have been expected to have moved locations.

In all, I consider it reasonable that a purchaser should take steps proportionate to the purchase being made. Thinking about the circumstances of the transaction here, I'm satisfied that Mr A did enough - given the purchase he was attempting to carry out.

On balance I'm satisfied that Mr A made the payment with a reasonable basis for believing this was a genuine seller and a genuine item. It follows that I am not satisfied Monzo has established that it can fairly rely on the relevant exception to reimbursement under the CRM Code.

My final decision

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

- The balance of the money lost through this scam, being the sum of £70.30 less any sums already reimbursed or otherwise refunded; and,
- 8% simple interest per year on that amount calculated from the date the bank originally declined Mr A's claim until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 21 September 2022.

Stephen Dickie
Ombudsman