Financial Ombudsman Service

The complaint

Mr Y 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 accept that Mr Y was the victim of a scam after he made a faster payment of £1,230. He made this payment for an item of kitchenware (bundled with some accessories), having seen this for sale on what appeared to him at the time to be a legitimate website.

He'd found that website as the top result when he'd searched online for the item. This item was manufactured overseas, and then sold through a network of agents local to each country.

Mr Y says the price being offered was in line with what he was expecting to pay for the item, and the website appeared exactly as if it were that of a professional and legitimate ecommerce site. He discussed the item and options with whom he believed to be a representative of the seller, using the website's chat function.

Mr Y then selected the options he wanted and then received an invoice. This appeared as he expected, and included the payment details he needed to use to purchase the item.

The invoice said these payment details were for someone who was his designated sales agent, this being confirmed to Mr Y over the chat facility. Mr Y says this matched the agent based selling model he knew was used by the brand. Overall, he explains he was completely convinced he was dealing with a legitimate seller.

Mr Y sent the payment by Faster Payment transfer from his Monzo account. However, after sending the money, the seller emailed him with an implausible excuse as to why it couldn't fulfil his order. He made contact with the seller via their chat function but given the subsequent responses he began to be concerned the retailer might not have been legitimate and that he might have been the victim of a scam. He reported what had happened to Monzo, and the scam was uncovered.

The Lending Standards Board Contingent Reimbursement Model (CRM Code) requires firms to reimburse customers who have been the victims of APP scams in all but a limited number of circumstances. Monzo isn't a signatory of the CRM Code but it has stated that it is committed to applying the principles set out in it. Monzo said one or more of the exceptions to reimbursement applies in Mr Y's case.

Monzo didn't agree to refund Mr Y. It said it had given Mr Y a scam warning and didn't consider he'd taken sufficient steps to verify he was paying a legitimate seller. Monzo was able to recover a small proportion of Mr Y's payment from the recipient bank, but Mr Y remained significantly out of pocket.

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

The investigator didn't believe Monzo had fairly applied the CRM Code when it was considering his scam claim. The investigator didn't think that Monzo had provided an effective warning prior to Mr Y making the payment. He didn't agree that Monzo had been able to establish that Mr Y made the payment without a reasonable basis for believing he was making a legitimate purchase from a legitimate seller.

Monzo maintained its position. In summary, it said:
- Mr Y appeared to understand the risk of paying by bank transfer.
- He should have been concerned about being asked to pay an individual rather than a business account - no legitimate company would work in this way.
- Had Mr Y searched online for the company name (rather than searching the product name or distributor name) then he'd have seen someone saying this was a scam on a public chat forum, as well as a comment left by someone on a blog posting.

In light of this disagreement, I have been asked to make a final decision on the outcome of Mr Y'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 Y 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 Y lost.

- The money was sent from Mr Y's Monzo current account. It is not clear how Mr Y 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 Y 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 Y, to the date of settlement.

I'm satisfied that Monzo has not shown that Mr Y ignored an effective scam warning or made the payment without a reasonable basis for believing that he was paying a legitimate seller for a legitimate item. It follows that I am not persuaded that Monzo has been able to establish those exceptions to reimbursement can fairly be applied to Mr Y's claim. I will explain why I have reached this finding.

Mr Y has explained that when he was making the payment, he was fully convinced this was a legitimate purchase from a legitimate seller. He details why he believed what he did at the time. I'm persuaded by his recollections that the website appeared, to all intents, to be legitimate. He was provided with an invoice that again appears legitimate and consistent with what might be expected of a genuine seller.

The warning Monzo says it gave Mr Y was not tailored to any particular scam type, being generic in nature. I do not think Monzo is arguing that this met the minimum requirements of being an Effective Warning as defined under the CRM Code (for the avoidance of doubt, I do not consider it did). So, the possible exception to reimbursement under the CRM Code relating to Effective Warnings, cannot fairly be applied by Monzo.

The warning message did however say that the customer should *"Stop if:* […] *The offer sounds too good to be true".* I've thought about whether this should have led Mr Y to have concerns about the payment he was about to make – in other words whether by proceeding past it he could not have held a reasonable basis for believing he was making a legitimate purchase.

However, here Mr Y didn't believe the offer was too good to be true. Based on what I've seen, and my own research, I'm satisfied that the price and bundle he was being offered were not out of line with what might reasonably have been expected – it was not too good to be true. I don't therefore think Mr Y should reasonably have considered this related to the scenario he was in.

The warning message also said to stop if *"You haven't double-checked who you're paying".* But Mr Y did double-check the payee details with the seller via online chat on their website. He also received a partial name match for the payee account. I think he was entitled to reasonably believe he'd taken the step Monzo recommended here. I don't consider it was clear if Monzo meant him to have done more than this, or what that might have been. In any event, I don't think this means Mr Y made the payment without a reasonable basis for believing it was being sent to whom he believed it was.

Monzo argues that had Mr Y searched under the company name he would have found a blog post by a rival seller and a chat forum posting both saying the company he was buying from was a scam.

Of course, this wasn't a step Monzo had suggested Mr Y undertake prior to making the payment. But I've considered whether, nevertheless, it was unreasonable of Mr Y to proceed without having taken that step here.

Mr Y explains he'd found the company as the top-rated result in a search for the product. I don't think it unreasonable for him to believe at the time that this suggested he'd found the legitimate website on which to purchase the item he was searching for.

Despite this, if in what followed Mr Y should have begun to have had reasonable grounds for concern about the website, I'd agree with Monzo that he should have carried out further checks on it to reassure himself before proceeding.

But having considered all that subsequently happened, I'm satisfied there was nothing that should obviously have changed that initial belief in the legitimacy of the website – there were no glaring red flags here that Mr Y ignored.

Monzo points out that the payment was being made to a personal account, and it says Mr Y should have been concerned by this. But the seller provided Mr Y with what I consider to have been a plausible explanation - that this was the agent designated to provide sales and support to Mr Y for the purchase. Mr Y knew the sales model employed was one of individual sales/service agents, so he accepted this (my own research supports his understanding of the sales model here).

All in all, I don't think there was anything significantly concerning that should have prompted Mr Y to take further steps here to verify the legitimacy of the website. Nor did Monzo's warning message suggest he should take such steps before making the payment.

In short, taking account of all the circumstances here, on balance I'm not satisfied that Monzo has been able to establish that Mr Y made the payment without a reasonable basis for believing he was paying a genuine seller for a genuine item. Neither do I find Monzo has established that Mr Y ignored an effective warning it gave in compliance with the CRM Code.

It follows that Monzo cannot fairly apply the relevant exceptions to reimbursing Mr Y under the CRM Code.

My final decision

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

- The balance of the money lost through this scam, being the sum of £1,230 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 Y's claim until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 28 October 2022.

Stephen Dickie
Ombudsman