

The complaint

Miss A is unhappy that Monzo Bank Ltd won't refund the money she lost after she fell victim to a scam.

What happened

The background to this complaint is well-known to both parties, so I won't repeat it all here, But briefly, and based on the submissions of both parties, I understand it to be as follows.

Miss A saw an item for sale on a well-known online marketplace, that she was interested in buying. She contacted the seller, by way of messages, and asked if the item was still available. Miss A asked the seller if she had any pictures of the item inside the box, explaining that 'she didn't like doing things over marketplace'. But the seller responded to say the item was brand new and sealed, and she wouldn't open it unless she was 100% that the item would be bought.

Miss A told the seller she did want the item, but was worried it wasn't real and it was a lot of money to lose. In response the seller offered to send Miss A a copy of the receipt for the item. The seller went on to send Miss A a copy of an order confirmation for the item, along with identification, by way of a passport. The seller also sent Miss A details of the bank account to where the payment should be made.

Believing everything to be genuine, on 26 January 2022, Miss A went ahead and made a payment for £336 to the bank details provided by the seller. But she became concerned, when a friend told her that she'd purchased the same item the day before, and when the seller started to make excuses for not having sent the item. Unknown to her at the time, Miss A had been dealing with a fraudster and had sent her payment to an account controlled by the fraudster.

Miss A raised the matter with Monzo. It 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 issued its final response to Miss A in January 2022, not upholding her complaint. In summary it considered Miss A didn't have a reasonable basis for believing she was making a genuine purchase and she hadn't undertaken enough due diligence, before making the payment. Monzo did try and recover the money that Miss A lost from the receiving bank (the bank to which the money was paid), but unfortunately no funds remained.

Unhappy with Monzo's response, Miss A then brought her complaint to this service. One of our investigator's looked into things and thought the complaint should be upheld and that Monzo should refund Miss A the money she lost, along with interest. In summary, our investigator thought that Miss A did have a reasonable basis for believing the sale was genuine.

Monzo didn't agree with our investigator's view. In summary, it said in her communication with the fraudster Miss A had demonstrated a clear understanding of the risks associated with this type of purchase, but didn't follow the guidance given by the marketplace for using its platform safely.

As agreement couldn't be reached, the complaint has been passed to me for a 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.

Having done so, I am satisfied that:

- Under the terms of the CRM Code, Monzo should have refunded Miss A the money she 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 Miss A lost.
- The money was taken from Miss A's current account. It is not clear how Miss A 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 Miss A under the CRM Code to the date of payment.

I've thought carefully about Monzo's representations regarding whether Miss A had a reasonable basis for believing the transaction to be genuine. But they do not persuade me to reach a different view.

Did Miss A have a reasonable basis for belief when making the payment?

In particular I am not persuaded that Miss A failed to take the requisite level of care required for Monzo to choose not to reimburse under the terms of the CRM Code. I'll explain why;

- Miss A saw the item she was interested in on a well-known social media platform's marketplace. She engaged with the seller through a number of messages. From reviewing these messages, I don't consider the seller was applying any pressure (which can often be the indicator of a scam).
- The fraudster was clever in gaining Miss A's trust further by providing a copy of their passport and a copy of the order form for the item. Miss A has said that where the name on the passport, the order form and the bank details all matched it reassured her that everything was genuine. It should be remembered that Miss A is not an expert in matters relating to fraud, and I can see how receipt of someone's identification, which matched an order form and bank details would have given Miss A comfort that she was dealing with a legitimate seller.
- As well as this, Miss A did ask for photos of the item. I think the answer the fraudster gave, that the item was new and sealed and so they didn't want to open it, was plausible, and I can understand why Miss A reasonably moved on from this.

- I also don't think the price the item was being sold for could be considered as 'too good to be true', whereby Miss A should reasonably have had doubts about the legitimacy of the item or the seller.
- Monzo has argued that, price of the item aside, Miss A ought to have considered the purchase 'too good to be true' when she was informed she needed to pay by bank transfer, which Monzo says was an unsafe payment method. I don't agree with the position Monzo has taken on this point, I say that as Miss A did make attempts to mitigate her risk, by asking questions to satisfy herself that the item was genuine. And for reasons explained above, I think the questions she asked were proportionate and it was reasonable for her to consider she was safe to pay the seller by the method they requested. Overall, I don't think it follows that being asked to pay for an item by bank transfer, in and of itself, would make a sale seem 'too good to be true'.
- I'm also not persuaded by Monzo's argument that Miss A ought to have realised the risks of paying by bank transfer, as it says the risks are expressed in the Marketplace's own guidance. I say that because the information regarding payment is contained amongst a variety of other information and requires multiple 'clicks' to see the particular section to which Monzo refers. Considering the circumstances of this case, I think it's disproportionate and impractical to have expected Miss A to have read the entirety of the help guide before proceeding.

All things considered, I can see why Miss A would have been reassured, after liaising and messaging with the seller, that she was dealing with a legitimate seller for legitimate items when making the payment. I'm satisfied Miss A took proportionate steps to try and mitigate any risk and that it wasn't unreasonable for her to proceed in making the payment she did.

Overall and on balance, I'm not persuaded that Monzo has shown that Miss A lacked a reasonable basis of belief for making the payment.

Putting things right

For the reasons outlined above, Monzo Bank Ltd should now;

- Refund Miss A the £336 she lost as a result of this scam
- Pay 8% simple interest per year on that amount calculated from the date Monzo Bank Ltd originally declined Miss A's claim until the date of settlement.

My final decision

My final decision is that I uphold this complaint against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 25 October 2022.

Stephen Wise
Ombudsman