

The complaint

Miss R 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 from both parties, I understand it to be as follows.

Miss R 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 and whether the seller could post it to her. Miss R asked the seller if she could pay for the item by PayPal, but the seller explained that she had been scammed just the month before, so was wary of accepting payment in that way.

Miss R explained to the seller that a PayPal payment can be seen but stays on hold until the tracking information shows and it's delivered. But the seller told Miss R they couldn't afford to risk it. The seller explained their preference was for cash on collection, but as Miss R had asked for the item to be posted, they would send her their bank details.

The seller also sent Miss R details of their identification, by way of a copy of their passport. Alongside this, Miss R has told us that she checked the seller's profile, that was on an established social media platform, was genuine.

Believing everything to be genuine, on 3 February 2022, Miss R went ahead and made a payment for £340 to the bank details provided by the seller. But she became concerned, when she didn't receive a receipt for the payment, the item wasn't delivered and she was blocked by the seller. Unknown to her at the time, she had been dealing with a fraudster, and had sent her payment to an account the fraudsters controlled.

Miss R 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 R in February 2022, not upholding her complaint. In summary it considered Miss R didn't have a reasonable basis for believing she was making a genuine purchase. It said Miss R hadn't taken enough steps to check who she was paying and what for. It also said it provided Miss R with an effective warning when making the payment to the fraudster. Monzo did try and recover the money that Miss R lost from the receiving bank (the bank to which the money was paid), but unfortunately no funds remained.

Unhappy with Monzo's response, Miss R 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 R the money she lost, along with interest.

Monzo didn't agree with our investigator's view. As agreement couldn't be reached the complaint has been passed over 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 R 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 R lost.
- The money was taken from Miss R's current account. It is not clear how Miss R 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 R under the CRM Code to the date of payment.

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

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

In particular I am not persuaded that Miss R 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 R 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).
- I also don't think the price the item was being sold for could be considered as 'too good to be true', whereby Miss R should reasonably have had doubts about the legitimacy of the item or the seller.
- Miss R did make attempts to mitigate her risk, by asking to make a payment through a method that she knew would offer her protection. But I think the fraudster gave a plausible reason for why she didn't want to accept payment in that way.
- For broadly the same reasons as our investigator, I'm not persuaded that Monzo can rely on the help guidance provided by the marketplace. The information 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 R to have read the entirety of the help guide before proceeding.
- The fraudster indicated to Miss R that their preferred method of payment was to accept payment by cash on delivery. I'm persuaded this would have re-assured

Miss R further, as a fraudster wouldn't typically invite a face to face interaction. I don't think it follows, that because Miss R didn't choose this option, rather she preferred for the item to be posted, that it makes her any more liable for this loss.

- The fraudster was also clever in gaining Miss R's trust further by providing a copy of their passport. It should be remembered that Miss R is not an expert in matters relating to fraud, and I can see how receipt of someone's identification would have given her further peace of mind.
- Miss R also confirmed to us that she checked the fraudsters profile on the social-media platform, to see if it looked genuine.

All things considered, I can see why Miss R would have been reassured, after liaising and messaging with the seller, that she thought she was dealing with a legitimate seller for a legitimate item when making the payment. I'm satisfied Miss R 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.

I also don't think the warnings Monzo presented Miss R with would be considered as 'effective' under the Code as they're not specific to the particular scam Miss R fell victim to. However having said that, considering the relatively low value of the payment Miss R was making (and therefore a lesser indication that Miss R 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.

Overall and on balance, I'm not persuaded that Monzo has shown that Miss R lacked a reasonable basis of belief for making the payment, or that she ignored an effective warning

Putting things right

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

- Refund Miss R the £340 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 R'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 R to accept or reject my decision before 24 October 2022.

Stephen Wise
Ombudsman