

## **The complaint**

Mr J complains that Monzo Bank Ltd won't refund the money he lost, after he fell victim to a scam.

## **What happened**

The background to this complaint is well known to both parties, so I won't repeat it in detail here. But in summary, in March 2022, Mr J was looking to purchase a pair of trainers that he had seen advertised on a social media platform. Mr J messaged the seller for a price and asked whether the sale was 'fully legit'. The seller responded to say the price was £145 and told Mr J they were an established business, directing him to reviews and FAQs if he wanted better peace of mind.

Mr J has said he was drawn to the price as it was cheaper, as the trainers would usually cost around £300. He said he checked a number of the reviews that the seller had sent him and spoke to a couple of friends who buy and sell trainers. They told him this was a good price. Mr J told the seller he'd like to buy the trainers and asked if he could pay through PayPal. He's told us he asked this as he always pays this way, as it offers some protection. But the seller told him that payment could only be made through bank transfers, adding that this was because some customers had tried to claim their money back after items had been delivered to them. Mr J told us that while he had some doubts, given the seller couldn't accept funds via PayPal, he felt his bank would protect him.

Mr J went ahead and made a payment for £145 to the bank details the seller gave him. He received a message from the seller to say the payment had been received. But shortly after, Mr J became suspicious when he received another message from the seller, saying the payment hadn't arrived and asking him to send the payment again and offering a 50% discount off of his next order and a free pair of ear pods.

Unfortunately, Mr J wasn't dealing with a genuine seller and was instead communicating with a fraudster, who had tricked him into sending money to a bank account that they controlled.

Mr J raised the matter with Monzo. Monzo is not a signatory to the Lending Standards Board's Contingent Reimbursement Model (the CRM Code) but has agreed to adhere to the provisions of it. This means Monzo has made a commitment to reimburse customers who are victims of authorised push payment scams except in limited circumstances. Monzo investigated Mr J's fraud claim but concluded it had no responsibility to refund his loss. In summary this was because it didn't consider Mr J had carried out enough due diligence and checks to verify the person he was dealing with was legitimate. It tried to recover Mr J's money from the receiving bank (the bank to whom the money was sent), but no funds remained.

Mr J didn't agree with Monzo's findings and so brought his complaint to our service. In summary, he thought he had taken measures very carefully and had even asked to pay through PayPal, rather than bank transfer. One of our investigator's looked into things, but didn't think the complaint should be upheld. In summary, she thought Monzo was entitled to rely on exceptions to reimbursement under the CRM code. She didn't think Mr J had a

reasonable basis for believing the payment was for a genuine item. Our investigator thought the price of the item seemed too good to be true and added that, where Mr J had his own doubts and asked to pay via PayPal, the reason the fraudsters had given for not accepting payment in this way was not plausible.

Mr J didn't agree with our investigators view. As agreement couldn't be reached the complaint has now 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.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

In broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. However, where the customer made the payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for the bank to reimburse them, even though they authorised the payment.

When thinking about what is fair and reasonable in this case, I've considered whether Monzo should reimburse some or all of the money Mr J lost in line with the provisions of the CRM Code it has agreed to adhere to, and whether it ought to have done more to protect Mr J from the possibility of financial harm from fraud.

I'm sorry to hear of what's happened to Mr J, and I can understand entirely why he feels so strongly that this money should be returned to him. But having thought very carefully about Monzo's actions, I don't think it acted unfairly by declining his claim under the CRM Code. While this was a scam that tricked Mr J into sending a payment and receiving nothing in return, that doesn't mean Monzo is responsible for his loss. I also don't think it could have done any more to try and recover the money. So, while I know it will be disappointing for Mr J, having considered everything I'm not upholding his complaint.

The circumstances where a firm may choose not to reimburse are limited and it is for the firm to establish that a customer failed to meet their requisite level of care, as set out in the Code. One such circumstance might be when it can be demonstrated that the customer made the payments without having a reasonable basis for believing that:

- the payment was for genuine goods or services; and/or
- the person or business with whom they transacted was legitimate

\*Further exceptions outlined in the CRM Code do not apply to this case.

Monzo has argued that Mr J didn't have a reasonable basis for believing the payment he was making was for genuine goods or services.

I've thought carefully about whether this exception(s) to reimbursement applies in Mr J's case. And, on balance, I don't think he has made the payments whilst having a reasonable basis for belief that he was engaging in a legitimate transaction. I'll explain why.

The price of the trainers seemed to be well below what the market value appears to be for the specific brand and type of trainers Mr J was intending to buy. From what I've seen the market value for this item would, conservatively, be more than double what was being asked for. I don't doubt the offer would have appeared enticing, considering how cheap the item was being advertised for, in comparison to what one might typically have expected to pay for it. But price can be one indicator that there is potentially something untoward about the seller or the proposed deal.

Alongside this, from seeing the exchange of messages Mr J had with the fraudster, I think it's clear he had his own concerns, which he has confirmed with our investigator. I can see that he asked the seller whether the goods were 'fully legit' and also requested to make his payment by way of a method that he was aware would provide him with more protection, which was a sensible precaution in the circumstances.

However, the seller told him that he couldn't accept that, and said he would need to pay by bank transfer. I think being prevented from using the safer alternative payment method he'd suggested should have prompted him to be yet more cautious before making this payment.

I've thought carefully about what Mr J has said, that the seller had over 70,000 followers on the platform. However, when I consider everything in the round, I'm not persuaded Mr J should have accepted that things were as they were being presented to him. I think it's reasonable to have expected Mr J to question the plausibility of what was being offered, especially given the price being presented seemed too good to be true and that he was declined a method of payment that he was aware would have offered him more protection.

Weighing it all up, I think it more likely than not it would have been evident to Mr J that there was a considerable degree of risk associated with the purchase he was considering, which I'm persuaded is supported by Mr J himself telling us he had some doubts.

All things considered, I don't think Mr J had a reasonable basis for believing the payment he was making was for genuine goods or services and I'm persuaded this was sufficient reason for Monzo to fairly decline to reimburse him under the CRM Code.

#### *Should Monzo have done anything else to protect Mr J and prevent the fraud*

I've thought about whether Monzo did enough to protect Mr J from financial harm. The CRM Code says that where firms identify APP scam risks, they should provide effective warnings to their customers.

I am also mindful that, when Mr J made this payment, Monzo should fairly and reasonably have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things).

Having considered this, I'm not persuaded the payment Mr J made to the fraudsters was remarkable and so I'm satisfied Monzo needn't have identified a scam risk and in turn did not need to provide effective warnings or question the payment before processing it. And so overall, I don't believe Monzo needed to do more than it did.

Finally, I've considered whether Monzo did all it could to try and recover the money Mr J lost, once he had reported the scam to it. From the evidence I've seen, Monzo did contact the receiving bank when he raised the matter, but unfortunately the receiving bank told it that no funds remained. So I think Monzo has done what could reasonably have been expected of it to try to recover the money.

I am sorry that Mr J has lost money in this way, and I understand the whole experience will have been very frustrating and upsetting for him, but in the circumstances, for the reasons

explained, it wouldn't be fair or reasonable for me to order Monzo to repay him the money he sadly lost.

### **My final decision**

For the reasons given, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 29 September 2022.

Stephen Wise  
**Ombudsman**