

The complaint

Mr B is unhappy because Monzo Bank Ltd (“Monzo”) declined to refund £511 which he lost as the result of a scam.

What happened

The details of this complaint are well known to both parties, so I will not go into every detail of what happened here. But, in summary, Mr B came across a seller on a well-known online marketplace when looking for an item he wished to buy – a camera lens. He contacted the seller, by way of messages, and asked if the item was still available and if delivery was possible. At first the seller replied to confirm the item was available and delivery was possible locally. Mr B enquired if his location would be possible, but the seller came back to say it wasn’t due to their location. He asked if the seller was willing to post the item and it was agreed that this was fine, and he’d cover the postage costs.

Mr B says he checked the seller’s profile and that he could see they had friends on the account. Alongside this, he’s said the account looked legitimate and that he checked the seller’s location, which matched with where the item was being sent from. He commented that the market value, brand new, for the item he was looking to buy was in the range of £900. He was looking for a second-hand item and so he didn’t think the price of £500 was too good to be true.

Believing everything to be genuine, Mr B proceeded to make a faster payment of £511 on 2 October 2021 to the bank details provided to him.

Mr B says after making the payment, the seller stopped responding to his messages and on checking the online platform he could see the account had been deleted, along with the advert for the camera lens on the marketplace. He says it was at this point he realised he might have been the victim of a scam. Mr B says he later discovered that the seller had copied a genuine listing for the same item from another well-known online shopping website.

On 3 October 2021, Mr B contacted Monzo to raise the matter. It has committed to follow the Lending Standards Board Contingent Reimbursement Model (the 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 issued its final response to Mr B on 21 October 2021, not upholding his complaint. In summary, it said the decision-making process is an internal process that it cannot share with its customers and that it doesn’t refer to specific terms and conditions when making these decisions. It considered Mr B didn’t take enough steps to check who he was paying and what for and so, it wouldn’t be changing its decision not to credit Mr B for the money he lost. But as a gesture of apology, for the longer delays Mr B experienced when waiting for a response, it credited his account with £20.

Unhappy with its response, Mr B brought his complaint to our service. One of our Investigators looked into things and she recommended that the complaint should be upheld, and that Monzo should refund the money Mr B had lost, along with interest and to pay an

additional £80 for the trouble and upset caused. In summary, she thought Mr B did have a reasonable basis for believing the sale was genuine.

Monzo didn't agree with the Investigator's opinion on Mr B's complaint. In brief, it maintained that Mr B didn't have a reasonable basis for belief that the payment was for genuine goods, or that the person with whom he transacted with was legitimate. Therefore, it shouldn't be held liable for his loss under the provisions of the CRM Code. However, it did respond to say it agreed to pay an additional £80 compensation in recognition of service issues.

As an agreement could not be reached, it has come to me to decide.

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 Mr B the money he 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 B lost.
- The money was taken from Mr B's business account. It is not clear how Mr B 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 Mr B under the CRM Code to the date of payment.
- It should pay a further £80 (in addition to the £20 already credited to Mr B's account), in recognition of the level of service received.

I've thought carefully about Monzo's representations regarding whether Mr B had a reasonable basis for believing the transaction to be genuine and whether he ignored an effective warning. But they do not persuade me to reach a different view. In reaching my conclusions, I've thought about what it is realistic to have expected Mr B to do when he was making a payment of £511.

Did Mr B have a reasonable basis for belief when making the payment?

In particular I am not persuaded that Monzo has demonstrated that it can choose not to reimburse Mr B under the terms of the CRM Code because he lacked a reasonable basis for belief. I'll explain why;

- Mr B saw the item he was interested in on a well-known online marketplace. He engaged with the seller through messages. From reviewing these messages, whilst I accept there was not a lengthy dialogue, I don't consider the seller was applying any pressure (which can often be the indicator of a scam). In fact, in this case, the seller initially didn't agree to sell the item to Mr B due to the delivery location not being local.
- Monzo in its initial response to the Investigator's opinion commented that it hadn't denied reimbursement on the basis that the price was too good to be true. It said it accepts that the price may have been realistic for the item being advertised if it was a

legitimate item. It later said the price of the item was too good to be true when looking at the price of a new camera lens of the same specification and the price for pre-owned ones. It added that it'd found the price for a pre-owned lens ranged between £630 to £850, with most being sold around £700. So, it considers this should have been a cause for concern. I've thought carefully about this point, but Monzo itself has said it found the camera lens of the same specification at £630. While I accept the price Mr B agreed was lower in amount to those found by Monzo, I don't consider the price to be so unrealistic in comparison to the lowest amount Monzo has stated that it ought to have been a red flag to Mr B – whereby he should reasonably have had doubts about the legitimacy of the item or the seller.

- Monzo commented that this was not a sophisticated scam – that an item was paid for without having seen it in person. That Mr B sent the money by an unsecure payment method that didn't offer any buyer protection to a person he didn't know and, who wasn't guaranteed to send the item. As I've explained above, in carefully considering what has happened here, I've kept in mind what it is realistic to have expected Mr B to do when he was making the payment. Due to the location of Mr B and the seller, I don't think it unreasonable that he hadn't seen the item in person. I also don't think it is so uncommon for people buying items across a marketplace such as this, to not always see an item in person before doing so. And I also don't think it follows that just because Mr B asked for the item to be posted, it makes him more liable for this loss.
- Monzo didn't agree that there was a reasonable basis for belief, just on the basis the seller's profile looked legitimate. It added that genuine profiles can be set up quickly and does not indicate that a person or transaction is genuine. Further, it pointed out that a person wouldn't show signs on their profile that they were a scammer. While I accept the point Monzo is making here, I think it's important to set out that this factor is not solely being relied upon. Mr B has told us that he looked at the seller's profile and that he could see this appeared to be established and that they had friends on the account. Whilst I've not seen the seller's profile, I think it can be agreed that a profile/account in and of itself doesn't mean a person or transaction is genuine. But I've not seen any evidence that shows there were any obvious red flags with the profile and overall, I don't think it unreasonable that a genuine looking profile would have been a factor in re-assuring Mr B about the seller and item.
- I also note Monzo in its appeal commented on the guidance of the marketplace that Mr B found the seller. In particular, it highlights the guidance on how to buy and sell safely – not to transfer money directly into a seller's bank account. This further links into Monzo's view that Mr B made a payment by an unsecure payment method. I'm afraid I don't agree with Monzo's position on this point. This is because, the information about payment is contained amongst other information and required several 'clicks' to see the section in question that Monzo refers to. In light of the specific circumstances of this case, I don't think it's practical or proportionate to have expected Mr B to have read the help guide in its entirety before proceeding to make the payment.

All things considered, I think it reasonable that a purchaser should take steps proportionate to the purchase being made. When thinking about the circumstances of the payment Mr B made here, I'm satisfied in light of the above, that on balance he did enough. I don't think he missed any red flags that ought to have been readily apparent at the time he was making the payment that indicated there was a possibility he wouldn't get the item or that the seller was not genuine.

For completeness, I also don't think the 'low friction' warning Monzo presented Mr B with would be considered as 'effective' under the CRM Code as it wasn't specific to the particular scam Mr B fell victim to. However having said that, considering the relatively low value of the payment Mr B was making (and therefore a lesser indication that Mr B 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 Mr B lacked a reasonable basis of belief for making the payment, or that he ignored an effective warning.

Monzo has replied to say it agrees to pay an additional £80 redress (in addition to the £20 already credited) for the service issues Mr B experienced. I find this recommendation to be fair and reasonable in the specific circumstances of this case and so I make no further award in respect of this aspect.

Putting things right

For the reasons I've explained above, I am not persuaded any of the permitted exceptions to reimbursement apply in the circumstances of this case. So, I think it is fair that Monzo should:

- Refund the £511 lost as the result of the scam.
- Pay 8% simple interest per year on that amount calculated from the date Monzo Bank Ltd originally declined Mr B's claim under the CRM Code until the date of settlement.
- Pay Mr B a further £80 compensation.

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 Mr B to accept or reject my decision before 23 December 2022.

Staci Rowland
Ombudsman