

The complaint

Miss V complains that Monzo Bank Ltd won't refund the money she lost when she tried to buy an item from a private seller and it turned out to have been a scam.

What happened

Miss V saw the item advertised for sale on a well-known social media marketplace. It was a limited-edition Dyson Airwrap hair styler. Miss V says this would have normally retailed new for between £450 and £500, but that it was out of stock at the retailers.

The seller said they were selling on behalf of their fiancée who didn't have a social media account. The price was £370 including delivery.

Miss V says she asked to pay by a method offering buyer protection. But the seller told her that wasn't possible and that she'd need to send the money by bank transfer instead. The seller gave her a different payee name to use, explaining this was her fiancée's name.

Miss V then sent the money by Faster Payments transfer from her Monzo account to the sort code and account number she'd been given by the seller.

Miss V says that when she was making the payment, she saw a message saying that the payee name had been confirmed by the receiving bank. However, Monzo says that the bank to which she was sending the money wasn't part of the Confirmation of Payee scheme. Monzo said that the message Miss V saw didn't say that the payee name matched, but rather that it couldn't be checked.

The following day (which was New Year's Day), Miss V hadn't received any confirmation of postage from the seller. She reported what had happened to Monzo.

Shortly after this, Miss V received a reply from the seller saying they would post it the following day. But the seller didn't do this. They removed the listing from the marketplace and blocked Miss V on social media.

Monzo looked into Miss V's scam claim. It tried to recover the money from the receiving bank, but no funds remained.

Monzo isn't a signatory of the Lending Standards Board Contingent Reimbursement Model (the CRM Code) which can offer additional protection from Authorised Push Payment scams (APP scams) such as this one. But it has agreed to abide by the principles of that code. Monzo agreed that Miss V had been the victim of a scam. But it said it had no responsibility to refund her loss under the CRM Code. It said Miss V had not done enough to verify who she was paying, or to check they had the item they were offering for sale. Monzo also says Miss V had awareness of the risks of the transaction she was making. It had evidence to show:

- that when Miss V thought she'd fallen victim to a scam involving the same social media marketplace three months earlier, it had told her that making payments for

- goods by Faster Payments was like giving someone cash, and had advised her to always check payments were going to someone she knew and trusted;
- its chat history with Miss V showed that when she'd had another problem with a Faster Payments transfer two weeks before this scam, it had again told her that sending a bank transfer was similar to using cash, meaning when money was sent the bank couldn't call it back easily; and,
 - the chat history also showed she'd flagged another dispute 5 days before the scam involving a purchase on an auction site where the seller wasn't willing to refund her.

I issued my provisional findings on the merits of Miss V's complaint on 10 August 2022. In my provisional findings, I explained why I didn't intend to uphold her complaint. An extract of that decision is set out below and forms part of this final decision:

I'm sorry to disappoint Miss V but I've reached a different outcome to the investigator and I don't think Monzo acted unfairly by declining Miss V's claim under the CRM Code. While this was a scam that tricked Miss V into sending a payment and receiving nothing in return that doesn't mean Monzo has any responsibility for the loss.

I've taken into account the CRM Code when considering Miss V's complaint. The CRM Code requires firms to reimburse victims of APP scams like this one, in all but a limited number of circumstances. But it doesn't mean that every scam must be reimbursed.

In this case, Monzo says it is relying on one of the CRM Code's exceptions to reimbursement, namely that Miss V made the payment without a reasonable basis for believing what she did. Specifically, it seeks to rely on the following exception in the CRM Code:

"In all the circumstances at the time of the payment, in particular the characteristics of the Customer and the complexity and sophistication of the APP scam, the Customer made the payment without a reasonable basis for believing that:

- (i) the payee was the person the Customer was expecting to pay;*
- (ii) the payment was for genuine goods or services; and/or*
- (iii) the person or business with whom they transacted was legitimate."*

Having thought about this matter carefully, I don't think Monzo have acted unfairly by relying on this exception. Neither do I think they've failed to meet their own obligations — both under the CRM Code and, more generally, to protect Miss V from financial harm from fraud. So, I don't think it is liable to refund her now. I'll explain why I think this.

Did Miss V have a reasonable basis for belief in making this payment?

Our investigator asked Miss V about how the scam had unfolded. Miss V shared the messages she'd kept from her interactions with the scammer. Most of these messages were from after the payment was made, and unfortunately the scammer has taken down the original advert.

The item was one that Miss V later told Monzo would normally have retailed for more than she was paying and that new ones were out of stock. That doesn't mean the price was necessarily too good to be true, but the combination of being available and at a good price would have been understandably appealing.

But besides the initial advert Miss V had little to go on in deciding whether or not the seller was trustworthy. Miss V explains that she'd been unable to check the seller's social media profile because it was private but saw that they didn't have any negative

reviews on the marketplace. So, it seems her belief in the trustworthiness of this seller was based mainly on this lack of negative reviews.

With limited information about the seller's feedback, the particularly good price for a popular item that was widely out of stock, and not knowing anything more about the seller, I'd have expected Miss V to be cautious about the purchase. She was trying to buy this item from someone she didn't know personally, and who was a private seller not a business. She'd also had recent experience using the platform where she believed for a while that she'd lost her money.

Miss V asked the seller if she could pay by using another payment method that offers buyer protection for this type of purchase. That was a sensible precaution in the circumstances.

However, the seller told Miss V that she couldn't accept that, and said Miss V would need to pay by bank transfer. The evidence Monzo has provided convinces me that Miss V would reasonably have known the risks that this payment method involved. I also think that the inability to use the alternative method she originally suggested should have prompted her to be yet more cautious before making the payment.

When the seller gave her a payee name for the bank transfer that didn't match their own name the seller told Miss V that this was because she was selling it on behalf of her partner who didn't have a social media account. There was therefore no clear connection between the name she was paying and the name of the social media account beyond the story the seller told her.

While Miss V recalls seeing that this name was matched by the receiving bank, Monzo has explained that the receiving bank did not have the capability to check the payee name, so she was only shown a message saying that it wasn't possible to check.

In short therefore, there was very little here to provide Miss V with reassurance that the seller was who they said they were and that they were legitimately selling the item they claimed to be selling. There was also very little to reassure Miss V that she was sending money to the person she thought she was.

Overall, I think Miss V did have (or ought reasonably to have had) some concerns about the risk associated with this purchase. It follows that I don't think she had a reasonable basis for believing that the seller of the item was legitimate or that she was sending money to who she thought she was.

Should Monzo have done more to protect Miss V from financial harm from fraud?

I've also thought about whether, given its obligations, Monzo ought to have done more to protect Miss V from financial harm from fraud. The CRM Code requires a firm to provide an 'Effective Warning' where it identifies a scam risk in a payment journey. Monzo did provide general scam warnings to Miss V, but I do not consider it gave Miss V an "Effective Warning".

But in this case, Miss V was making an unremarkable payment. Looking at her statements shows that on the same date as the scam payment she'd made more than twenty other Faster Payments transfers for varying amounts and totalling over £1,500. I don't think the amount of this individual payment or the fact it was going to a new payee would have made it stand out enough for Monzo to have been concerned that she might have been at risk of financial harm from fraud at the time that she made it.

For these reasons, I don't think Monzo should have identified an APP scam risk in the payment journey. That means there wasn't any obligation on Monzo to provide an "Effective Warning" and so it hasn't failed to meet its obligations under the CRM Code.

For essentially the same reason – the fact the transaction would have appeared unremarkable – I can't reasonably say Monzo ought to have recognised that Miss V was at risk of financial harm from fraud. So, I cannot fairly have expected Monzo to have intervened before the payment left her account.

Recovery of Funds

When Miss V reported the scam Monzo did try to recover the money she had sent to the fraudster. Ultimately this was not successful. But that outcome is not surprising given that fraudsters tend to move the funds on as quickly as possible. Unfortunately, because the fraudster was in touch with Miss V at the time she was making the payment and for over twenty-four hours afterwards, it seems more likely than not that they were able to utilise the funds as soon as they were sent.

So overall, I don't think Monzo is liable to refund Miss V for the money she lost. While I know this outcome will be disappointing for Miss V, I hope she'll understand my reasons for reaching it.

I invited both sides to provide any further arguments or information by 31 August 2022, after which point, I said I would issue my final decision on the matter.

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.

Responses to my provisional decision

Miss V responded to my provisional decision saying in summary:

- She'd had confirmation that the seller had received the funds – they just didn't send her the item she'd paid for. If she'd paid for the item from a shop or business they would have refunded her so why should it be different because she'd bought something from a private seller on an online marketplace;
- Her finances had nothing to do with her complaint – the point was that she had been defrauded and that the bank hadn't supported her;
- She'd lost a significant sum to the scam and it had impacted her mental health; and
- She'd had to wait too long for an outcome and didn't accept it was fair she shouldn't be refunded.

My role here is to reach what I believe is the fair outcome in all the circumstances, and in doing so I've considered everything afresh and taken into account what Miss V has said.

As I said in my provisional decision, I'm very sorry to hear about the impact the scam had on Miss V – she's been the victim of a crime.

But that doesn't mean Monzo is responsible for what happened or that the bank is responsible for refunding her – the money went to a seller who seems to have had no intention of sending Miss V the item she'd paid for. The seller hasn't returned the money to Monzo or to Miss V.

I can see that when Miss V first told Monzo about what had happened it took the appropriate steps to look into everything – including trying to recover her money. But nothing remained in the other account to be recovered – it was already too late.

While I know Miss V thinks it needed to do more to support her, Monzo did what it was required to do here. It gave her an answer to her claim and then to her complaint. While the scam has had a big impact on Miss V, this was caused by the criminal actions of the scammer – not Monzo. I can't fairly hold it responsible for what the seller did – it had no involvement in what happened beyond carrying out Miss V's instructions to send the payment. As I said in my provisional decision, I think Monzo treated her fairly and in line with what it should have done under the CRM Code and otherwise.

I understand Miss V's point that if she'd bought something from a shop or business, she'd expect that the shop or business would have refunded her if they couldn't deliver the item. But whether Miss V had sent a bank transfer to pay for something from a business, a shop or a private seller, it wouldn't be Monzo that should refund her if something went wrong – it would be the shop, business or seller. And this was a private seller, not a shop or business. So, the chance of receiving a refund if things didn't work out was based on whether that seller was trustworthy or not. Unfortunately, this seller wasn't trustworthy. But that isn't something I can hold Monzo responsible for.

So while I appreciate this will not be the answer Miss V wants, I don't find Monzo was at fault or that it needs to do more than it did.

My final decision

For the reasons given above I do not uphold Miss V's complaint about Monzo Bank Ltd.

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

Stephen Dickie
Ombudsman