

The complaint

Mr B is unhappy that Monzo Bank Ltd won't refund the money he's lost to a scam.

What's happened?

Mr B has fallen victim to a purchase scam. He arranged to rent a car from a company he found on a popular social media platform. I'll refer to the company as 'BCH' throughout this decision.

Mr B has said that he'd been watching BCH's social media page for a few weeks before deciding to rent from it. The page was very active - it had thousands of followers and lots of customer reviews, and pictures of available vehicles were uploaded regularly. An internet search showed that BCH was listed on Companies House, with a registered address that matched the one on its social media page. Mr B thought that everything looked legitimate, so he spoke to one of BCH's employees at some length before deciding to go ahead with a rental. He sent a picture of his driving licence to the employee and transferred an upfront deposit of £625 to an account in the employee's name; acting quickly to obtain a rental offer that was expiring imminently. BCH's employee said they would deliver the car to Mr B's address on the first day of the rental period, and Mr B would be provided with an invoice and asked to sign the relevant documentation at that stage. But the car was not delivered as promised and Mr B has heard nothing further from BCH.

Monzo approached the receiving bank shortly after Mr B reported the scam to it, but no funds have been recovered. And the bank has declined to reimburse Mr B under the Lending Standards Board's Contingent Reimbursement Model ('CRM Code') because it's said that he didn't take enough steps to check who he was paying and what for.

What did our investigator say?

Our investigator found that Monzo should have reimbursed Mr B under the provisions of the CRM Code. Monzo didn't agree, so Mr B's complaint has now been passed 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.

Monzo isn't yet a signatory of the CRM Code, but it's allowed us to apply the Code's principles to complaints we consider against it which meet the relevant criteria.

The CRM Code requires firms to reimburse customers who have been the victims of Authorised Push Payment ('APP') scams, like the one Mr B has fallen victim to, in all but a limited number of circumstances. Monzo has argued that one of the exceptions applies in this case. It says that Mr B made the payment without a reasonable basis for belief that the payee was the person he was expecting to pay, the payment was for genuine goods or services and/or the business or person he was transacting with was legitimate.

Monzo doesn't appear to be relying on an argument that Mr B ignored an effective warning that it gave during the payment journey. So, I won't address this topic in any detail. But, for the sake of completeness, I will say that I've looked at the warning Monzo says Mr B was given and I don't think it was effective – although I wouldn't expect the bank to have given a warning in this case due to the nature and value of the payment.

In thinking about whether Mr B had a reasonable basis for belief, I've considered what steps he took to reassure himself about the legitimacy of the transaction, and whether it was reasonable for him to proceed with the payment.

Overall, I'm satisfied that Mr B had a reasonable basis for belief on this occasion. I say this because:

- Mr B has said that, at the time of making the payment, he was aware that legitimate businesses sell goods and services over social media platforms, and he knew of people that had rented a car from a business they'd found via social media (albeit not from BCH). So, he was understandably comfortable with shopping in this way.
- Mr B's explained that he'd been watching BCH's social media page for a few weeks before deciding to rent from it, and it was very active - it had thousands of followers and lots of customer reviews, and pictures of available vehicles were uploaded regularly. He's also said that an internet search showed him that BCH was listed on Companies House, with a registered address that matched the one on its social media page. So, I don't consider that he transacted with BCH without any care, and I think a reasonable person would've been reassured by what Mr B saw.
- Several messages were sent between Mr B and BCH before Mr B made the payment. I've looked at the messages and I don't think there's anything obviously suspicious about them.
- BCH asked Mr B to provide it with a picture of his driving licence. I think this lends an air of legitimacy to the scam because providing a copy of a driving licence is not an unusual requirement for renting a vehicle.
- Mr B says he was expecting to receive the relevant paperwork on the day the rental car was delivered to him, and BCH told him he would need to sign the appropriate agreements at that stage. So, he didn't question the lack of paperwork received prior to making the payment. In the circumstances, I think this is reasonable.
- Mr B sent the payment to a personal account. He's said he didn't think anything of this because the account was held in the name of the BCH representative he was speaking to. It's not uncommon for small businesses to request payments to personal accounts, and there was a confirmation of payee match in this instance, so I don't think it's unreasonable that Mr B wasn't suspicious.
- Legitimate businesses often offer 'buy one get one free' type offers, similar to the one Mr B thought he was purchasing, which significantly reduce the price of goods and services. I'm not persuaded that this should've rung alarm bells for Mr B.

Monzo has raised some valid points in defending this case – for example, the bank's said that it's possible for scammers to create social media pages impersonating legitimate businesses registered with Companies House and then buy or fake followers and reviews, and that BCH's social media page didn't carry a 'blue tick'. But the question for me is whether it was *reasonable* for Mr B to believe, in all of the circumstances, that the payee was the person he was expecting to pay, the payment was for genuine goods or services and/or

the business or person he was transacting with was legitimate. And I think it was. I wouldn't expect Mr B, or any other person in similar circumstances, to see all the red flags that a bank, with its industry knowledge of fraud, might observe. Considering everything, I'm satisfied that the scam was sophisticated, and I don't think it's unreasonable that it went undetected by Mr B.

To conclude, I'm satisfied that Monzo should have reimbursed the money Mr B lost to this scam under the terms of the CRM Code. I'm not persuaded that any of the permitted exceptions to reimbursement apply in the circumstances of this case.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint and instruct Monzo Bank Ltd to:

- Reimburse Mr B's loss within 28 days of receiving notification of his acceptance of my final decision; plus
- Pay 8% simple interest per year from the date Mr B should have received a full refund under the CRM Code to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 24 October 2022.

Kyley Hanson
Ombudsman