

## **The complaint**

Mr R complains that Monzo Bank Ltd won't refund him the money he lost when he fell victim to a purchase scam.

## **What happened**

Both sides are aware of the circumstances of the complaint. But I will begin by briefly summarising what happened.

Mr R holds a current account with Monzo. At the time of the scam, he was 20 years old and had recently started higher education.

Mr R saw an advert on a social media site for a clothing reseller. He recalls the account had a large number of followers and appeared to have reviews from customers. The seller also had a separate website linked from the social media page.

Mr R explains he was reassured by the information he saw on both the social media site and the website. He explains he thought he was dealing with a business, which he believed would give him protection if something wasn't right.

Mr R contacted the seller and after some discussion about the items he wanted, he ordered two pairs of trainers and some clothing from the seller. The seller accepted bank transfers, so Mr R sent two payments that evening for a total of £575. These were made by Faster Payments transfer from his Monzo account. The bank account Mr R was paying didn't support the system to confirm the payee's name, so it wasn't possible for Monzo to confirm if the account matched the seller's name or if it was a business account.

The seller sent a tracking number, but Mr R realised it didn't work. The seller blocked contact and the items failed to arrive. Mr R realised that the seller had not been legitimate and contacted Monzo to report he'd been the victim of a scam.

Monzo tried to recover the money Mr R had sent, but none remained.

Monzo has agreed to adhere to the provisions 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. Monzo accepted this had been an APP scam. But it said it wouldn't refund Mr R because it didn't think he'd taken enough steps to check he was paying a legitimate seller.

Mr R didn't agree and he referred a complaint about the outcome to this service for review. Our Investigator looked at what had happened and thought Monzo should refund him.

Monzo didn't think the Investigator had reached a fair outcome. It said the website hadn't been particularly sophisticated, it reiterated that it didn't think Mr R had acted reasonably. In light of this disagreement, I have been asked to make a final decision on the outcome of Mr R's complaint.

## 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 the money Mr R 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 R lost.
- The money was sent from Mr R's current account. It is not clear how Mr R would have used the money if Monzo had refunded it when it should have done. But if Monzo had refunded the money when it ought reasonably to have done, Mr R would not have been deprived of it for the time he has. So, Monzo should also pay interest on the balance not yet refunded at a rate of 8% simple per year. This interest should apply from the date Monzo first declined to refund Mr R, to the date of settlement.

I'm satisfied that Monzo has not shown that Mr R made these payments without a reasonable basis for believing that he was paying a legitimate seller for a legitimate item. I consider the steps he took were proportionate in the circumstances and given his knowledge and circumstances at the time. I will go on to explain why I have reached this finding.

I've taken into account the evidence provided by both sides. Under the terms of the CRM Code, the victim of an APP scam such as this should be reimbursed unless the bank is able to establish that one (or more) of the exceptions to reimbursement can be applied.

Monzo essentially argues that Mr R relied on evidence that didn't prove the seller was genuine and that he was unreasonable to do so. Monzo notes that a social media presence doesn't prove the legitimacy of the seller. It also says the website he saw was built using a website building tool, so didn't prove the seller's legitimacy either.

But while none of the evidence Mr R saw could have provided conclusive proof that the seller was legitimate, that is not the test required under the CRM Code. Mr R merely required a reasonable basis for believing this was legitimate, in all the circumstances.

The CRM Code highlights that those circumstances include the characteristics of the customer and the sophistication of the scam. Importantly, the test under the CRM Code is not simply that of reasonableness, it requires these specifics to be taken into consideration.

I've thought about what Mr R has said, and why he thought he was dealing with a genuine reselling business. Monzo argues that the website he'd seen was built using a generic website building tool and this shouldn't have reassured him. The website is no longer available for me to review. But it is not clear to me that Monzo's concerns would have been readily apparent to Mr R at the time. Based on my own research I believe legitimate retailers use off the shelf web design templates – companies exist to provide this specific service. So the use of a templated website format does not seem to me as clear a sign of risk as Monzo suggests Mr R ought to have identified from it. Further, I do not expect Mr R to have the same level of fraud expertise as the bank - and it is specifically Mr R's characteristics I need to bear in mind when assessing his claim under the CRM Code.

Having reviewed everything submitted by both sides including the contemporaneous messages and information Mr R saw, I'm persuaded by Mr R's testimony that he found the seller's web presence convincing and that he believed it showed he was dealing with a legitimate reselling business. Based on what I have seen I don't think it was unreasonable for him to have drawn that conclusion at the time he was making these payments.

So, while it is now clear that what he saw was false and designed to deceive him, I'm not persuaded Monzo has been able to demonstrate that this was apparent to Mr R at the relevant time. Besides the social media presence, the seller had created a fake ecommerce website and engaged in discussion with Mr R about what he was buying before he made the payments. Taking everything into account I think on balance Mr R wasn't unreasonable to have been persuaded by what he saw in these circumstances.

In reaching that finding, I have taken into account that the price charged was significantly lower than the typical resale value of the items at that time, and furthermore that I consider that Mr R knew this was the case.

However, I don't consider that, in itself, demonstrates that he was careless in proceeding with the attempted purchases. Based on my own research, the items in question had been sold as in stock within 12 months of the date of the scam and at a comparable price to that they were now being offered at. I don't think Mr R's explanation that he thought this was due to the items being old stock that the seller was disposing of was necessarily an unreasonable supposition for a lay-person such as Mr R to have made, nor that this demonstrates he was making the payment without having a reasonable basis for believing in the legitimacy of the offer.

The provider of the recipient account did not participate in the Confirmation of Payee scheme, so while Mr R thought he was paying a business account, Monzo was unable to obtain the recipient account information to confirm or deny that fact. However, this was an absence of confirmation, not a negative result. Sending money to that destination would have yielded the same result had it instead turned out that Mr R was paying a legitimate seller holding an account with the same institution.

While Mr R put a degree of trust in the seller and the website and social media evidence as a reason to believe all was as it seemed, it was open to Monzo to have alerted him to the risk - at the time he was making the payments - and to suggest appropriate additional steps he could have taken to protect himself. As an obvious example, Monzo could have recommended making payment by card rather than a bank transfer.

I'm satisfied that the CRM Code didn't *require* Monzo to take such steps in relation to these payments, but the point here is that, by not providing Mr R with such advice, I don't think Monzo can then safely assume that Mr R would have known what steps to take. In the circumstances here I don't think it is fair or reasonable for Monzo to seek to blame Mr R for not taking the steps it thinks he should have, where it has not established he knew of these precautions at the time. Monzo was the expert in fraud and scams in this situation, not Mr R, and it is Mr R's characteristics, not those of Monzo, which are relevant under the terms of the CRM Code.

Considered as a whole and thinking about all of the circumstances of the transaction here, I'm satisfied that Mr R did enough given the purchases he was attempting to carry out. While Monzo argues that there were aspects that should have concerned Mr R, I am not convinced it has established Mr R would reasonably have identified these at the time, nor am I persuaded that it has established he would have known what he could have done to better protect himself and simply failed to do so.

On balance I'm satisfied that Mr A made the payment with a reasonable basis for believing this was a genuine seller and genuine items. It follows that I am not satisfied Monzo has established that it can fairly rely on the relevant exception to reimbursement under the CRM Code.

### **My final decision**

For the reasons outlined above, I've decided it is fair and reasonable to uphold Mr R's complaint about Monzo Bank Ltd. I therefore require Monzo Bank Ltd to pay Mr R:

- The money he lost through this scam, being the sum of £575 less any sums already reimbursed or otherwise refunded; and,
- 8% simple interest per year on that amount calculated from the date the bank originally declined Mr R's claim until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 1 June 2023.

Stephen Dickie  
**Ombudsman**