

## **The complaint**

Mr I complains that Monzo Bank Ltd (Monzo) won't refund all the money he lost to an authorised push payment (APP) scam.

## **What happened**

The details of this complaint are well known to both parties. So rather than repeat them all again here, I'll briefly summarise the key points.

In April 2022, Mr I ordered a wig, as a present for his partner, via a well-known social media platform. He paid £300 for this via bank transfer. But the wig didn't arrive. And when he messaged the seller chasing a response, they stopped replying. He reported to Monzo that he thought he had been scammed.

Although not a signatory, Monzo has committed to following the standards of the Lending Standards Board Contingent Reimbursement Model (CRM) code. This requires firms to reimburse customers who fall victim to APP scams unless they can show an exception applies under the code.

Monzo looked into Mr I's claim in line with the CRM code. But it said an exception applied as he hadn't taken reasonable steps to check who he was paying. It also paid him £25 for some service issues during the claim.

After complaining to Monzo about this outcome, Mr I referred the matter to our service. Our investigator thought Monzo should refund him in full. They didn't agree with Monzo's argument that Mr I had ignored an effective warning. And they thought he *did* have a reasonable basis for believing he was paying a legitimate seller.

Monzo has appealed the investigator's outcome. It says there were factors which ought to have prompted Mr I to complete some due diligence before making this payment.

## **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've decided to uphold it. I'll explain why:

Monzo accepts that Mr I was scammed. And it's agreed to follow the terms of the CRM code. So I'd expect it to refund him unless it can show that an exception within the code applies. In this case the relevant exceptions are:

- The customer ignored an 'effective warning' from the bank by failing to take appropriate steps in response to that warning; or

- The customer made the payment without a reasonable basis for believing that: the payee was the person the customer was expecting to pay; the payment was for genuine goods or services; and/or the person or business with whom they transacted was legitimate.

While Monzo has shown us that Mr I would have seen a scam warning when making this payment, I'm not satisfied this can be deemed effective in line with the CRM code. It didn't contain anything specific to the scam he fell victim to. So I don't think it ought to have prompted him to take further steps in response to seeing the warning.

It seems Monzo's main reason for not refunding Mr I is that it doesn't think he had a reasonable basis of belief. But I can't see anything obvious which reasonably ought to have alerted him that the seller might be a scammer.

The seller had a page for their business on a well-known social media platform commonly used for shopping. This looked professional. They posted many photographs, in a consistent format, of the wigs they were allegedly selling – which received lots of positive engagement. And they had a high number of followers. I think that all gave Mr I reasonable reassurance that they were operating legitimately.

Monzo argues it should have rung alarm bells that the social media platform offers card payments, but Mr I was directed to pay by bank transfer. Bearing in mind why I've found it was reasonable for him to have trusted the seller, I'm not persuaded that alone ought to have undermined his reasonable basis for belief. He messaged the seller about his order and asked about how we should pay – and simply followed the instructions given.

Monzo also says the seller has two websites, has changed business names, and uses “a public Gmail address”. Again, I'm not persuaded that ought to have alerted Mr I that the seller might not be legitimate. There was only one website mentioned on the page he bought from, which matched the name of the page. And more widely, I don't think these factors seemed particularly alarming for how a small business might operate.

In this case, I'm satisfied the information Mr I relied on from the seller's page, and his interaction with them, gave him a reasonable basis of belief. In line with the CRM code, Monzo should therefore refund him for this payment.

While this doesn't appear to be the main focus of Mr I's complaint, for completeness, I've looked at the £25 compensation Monzo paid for its service failings. I've seen no suggestion this wasn't a fair reflection of the distress and inconvenience it caused him. So I'm not increasing this award.

### **My final decision**

For the reasons explained above, my final decision is that I uphold this complaint. Monzo Bank Ltd must refund Mr I for the £300 he lost to the scam. It should pay 8% simple interest on this amount from the date of payment to the date of settlement (less any tax lawfully deductible).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 17 March 2023.

Rachel Loughlin  
**Ombudsman**