

The complaint

Mr R is unhappy that Monzo Bank Ltd won't refund the money he lost after he fell victim to an 'authorised push payment' ("APP") scam.

What happened

The background to this complaint is well-known to both parties, so I won't repeat it all here. But briefly, and based on the submissions of both parties, I understand it to be as follows.

Mr R saw a car for sale, on a well-known social media online marketplace, that he was interested in buying. He contacted the seller, by way of messages, and asked if the car was still available. Mr R has said at the time he saw two other cars (of the same make and model) for sale, one that was priced higher and one that was a lower price.

Interested in buying the car Mr R has told us he carried out a MOT check on the car and checked the details on a car-checker website, and everything matched up. Mr R has told us that he'd bought from the same marketplace before and had no issues. He's said the seller had a number of other cars for sale, which reassured him.

The car was too far away for Mr R to go and look at it. But believing everything to be genuine, on 27 May 2022, Mr R made a payment for £100, through his mobile app, by way of a deposit (with the seller agreeing to accept the balance, of £400, on delivery). But after making the payment, the car wasn't delivered, and Mr R found he was blocked when he tried to message the seller. Unknown to him at the time, Mr R had been dealing with a fraudster and had sent his payment to an account controlled by the fraudster.

Mr R raised the matter with Monzo. It didn't dispute that he had been the victim of a scam, but it said that the price of the car was too good to be true and Mr R didn't take enough steps when making the purchase. It added that it had provided a warning when Mr R was making the payment. Monzo tried to recover the money Mr R lost from the beneficiary bank (the bank to which the money was sent) but was unable to recover any money.

Monzo has committed to follow the Lending Standards Board Contingent Reimbursement Model (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 says one or more of those exceptions applies in this case.

Monzo issued its final response to Mr R on 14 June 2022, not upholding his complaint. In summary it said there had been no errors made in handling Mr R's claim. It added that it hadn't been able to recover the money Mr R lost and it didn't feel Mr R had taken enough steps to check who he was paying and that it had given a warning. Monzo did apologise to Mr R for confusing matters surrounding this complaint, with an issue Mr R had with some disputed transactions on a joint account he holds. Monzo credited Mr R's account with £20 in recognition of this.

Unhappy with Monzo's response, Mr R then brought his complaint to this service. One of our investigator's looked into things and thought the complaint should be upheld and that Monzo

should refund Mr R the money he lost, along with interest. In summary, our investigator didn't think Monzo had established that it shouldn't reimburse Mr R on the basis that he had ignored an effective warning, nor had it established that Mr R didn't have a reasonable basis for believing he was making a legitimate payment. Our investigator recommended Monzo should refund Mr R the money he lost, along with interest.

Monzo didn't agree with our investigator's view and maintained its position. As agreement couldn't be reached, the complaint has been passed to me for a decision.

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 R 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 R lost.
- The money was taken 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, 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 R under the CRM Code to the date of payment.

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

I've carefully considered Monzo's representations about whether Mr R had a reasonable basis for believing the purchase was genuine. Weighing everything up, I don't think it would have been evident to Mr R that there was a risk with this purchase, I'll explain why.

Monzo argue that although Mr R had used the marketplace before, this didn't amount to a reasonable basis for belief. It added that no evidence had been seen of the other cars Mr R said he had looked at, but even if he did see the two other cars, they may also have been scams, as the price isn't reflective of what Monzo has seen on other websites.

Monzo added that Mr R carrying out a MOT check only proves that the car had a MOT, it didn't prove ownership or possession of the vehicle. And it added that a customer is less likely to send the full payment for a car they hadn't seen, and it's not uncommon for scammers to ask for smaller payments in the hope it will be sent. Overall Monzo has said Mr R was not diligent, the price was too good to be true and, without seeing it, there was no way of knowing if the car existed.

I agree that none of the evidence Mr R obtained provided conclusive proof that the seller was legitimate, or that the car existed - nor could it. But that is not the test required under the CRM Code. Monzo, if it wishes not to reimburse Mr R under the provisions of the CRM Code, must establish he made the payment without a reasonable basis for believing this was legitimate, in all the circumstances. And while none of the steps he took gave conclusive proof, I'm satisfied the evidence indicates that Mr R had taken reasonable and proportionate steps given the nature and value of the purchase amongst the other circumstances.

The evidence I've seen from motor trade guides, indicates a price range for the vehicle Mr R was looking at to be between c. £890 - £1400. Given this, while the price Mr R was paying was under this, I don't consider, in the circumstances of this case that it can be considered too good to be true. It isn't so implausible that a car of this age and mileage could be available at a cheaper price. Indeed Mr R has said himself he had seen another car, of the same make/model, for cheaper. I've got no reason to doubt what Mr R has told us. I understand Monzo has said there is no evidence of the other cars Mr R looked at, but nor would I expect there to be. Mr R didn't know he was being scammed and I don't think it's reasonable or proportionate to expect a customer to keep copies of all of the research they do, prior to making a payment for £100.

Mr R is not an expert in all matters relating to fraud and scams, nor about how they work or can play out. The fact that the bank, as a professional in these matters, can think of additional things Mr R could have done does not mean that he did not do enough. There was nothing specific here that I consider should have been a glaring red flag that all might not have been as it seemed.

Mr R has explained he's used the marketplace before and was reassured that the seller had other vehicles for sale. It's both understandable and reasonable that somebody who has not been scammed previously and who has successfully used a marketplace before, would have gained a degree of comfort from their previous experiences. Mr R also carried out a MOT check and checked the car through an online vehicle checker too.

People don't want or expect to be scammed and I think overall Mr R took reasonable, appropriate, and proportionate steps to try and protect himself. I don't consider he had any reason to think the seller would not keep to their side of that bargain.

Monzo has said the warnings it provided to Mr R before he made the payment were effective. I'm not persuaded the payment Mr R made to the fraudsters was so remarkable or unusual that I would have expected Monzo to have identified a scam risk. So I'm satisfied it needn't have identified a scam risk and in turn did not need to provide effective warnings or question the payment before processing it.

But given Monzo has argued it provided an effective warning, I've considered this. While the warnings, in part, intend to warn customers about potential scams they may be at risk of, I find that they don't meet the definition of an 'effective warning' as set out by the CRM Code. The warnings highlight multiple potential scams. But they don't bring to life what the type of scam Mr R was falling victim to looks like, or highlight the common features of these types of scam.

All things considered, I think it fair and reasonable that Mr R thought he was dealing with a legitimate seller for a legitimate item when making the payment. I'm satisfied Mr R took proportionate steps to try and mitigate any risk and that it wasn't unreasonable for him to proceed in making the payment he did. Overall and on balance, I'm not persuaded that Monzo has shown that Mr R lacked a reasonable basis of belief for making the payment, or that he ignored an effective warning.

I can see that Monzo did send Mr R £20 in recognition of confusion caused when looking into some disputed transactions on a joint account Mr R holds. As the matter I'm deciding relates to the sole account Mr R holds – I will not make any comment on any dispute about his joint account as part of this decision.

Putting things right

For the reasons outlined above, Monzo Bank Ltd should now;

- Refund Mr R the £100 he lost as a result of this scam.
- Pay 8% simple interest per year on that amount calculated from the date Monzo Bank Ltd originally declined Mr R's claim until the date of settlement.

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 R to accept or reject my decision before 3 January 2023.

Stephen Wise
Ombudsman