

Complaint

Miss L is unhappy that Monzo Bank Ltd won't reimburse her after she fell victim to a scam.

Background

In May 2022, Miss L was looking into the possibility of leasing a car. She found a page on a social media platform for a company that purported to arrange leases for top of the range cars. She contacted a representative of the company using a popular messaging app and enquired about which vehicles were available. Unfortunately, Miss L wasn't in contact with a legitimate business, but a scammer. She identified a particular model she was interested in and was told she'd need to pay a deposit of £3,600 and then £577 per month. At the request of the scammer, she made an initial payment of £100 and then £3,500 the following day.

Before making the second of those payments, she called Monzo to ask for advice about whether it was safe to proceed. She told the call handler that she was dealing with a family firm, it was a genuine limited company and had an entry on Companies House. She also said that the business had sent her an invoice. She felt that meant that the agreement they'd come to was legally binding. Miss L was nervous about making the payment because she'd never sent such a large payment before. The call handler explained to Miss L that she couldn't give her financial advice. However, a warning would be displayed when she made the payment in the app. She was encouraged to read that warning carefully. She proceeded to make the second payment to the scammer.

Miss L was concerned when the car wasn't delivered on the date she was promised. She wanted to contact the company to ask what had happened, but she realised she'd been blocked on the app they'd been using to communicate. She told Monzo she'd fallen victim to a scam. It looked into things but said it wouldn't reimburse her. Miss L was unhappy with that and so she referred her complaint to this service. It was looked at by an Investigator who upheld it.

The Investigator considered the complaint under the Lending Standards Board's Contingent Reimbursement Model (CRM) Code. He said that the warning Monzo displayed as part of the payment process wasn't an *'Effective Warning'* as defined in that code. He didn't think it was specific enough to the scam type and was therefore not sufficiently impactful.

He also thought that, since Miss L had phoned Monzo and specifically asked whether or not it was safe to proceed with the payment, Monzo had missed an opportunity to question her about the payment and possibly warn her verbally about the risks of this type of scam.

The Investigator was also satisfied that Miss L had a reasonable basis for believing that the transaction she was entering into was a legitimate one. She'd carried out some basic checks to see if the business was genuine. He didn't think that the fact that the arrangement began on a social media platform was an indication that this might be a scam since many legitimate companies use such platforms to promote themselves.

Monzo disagreed with the Investigator's view. It argued that Miss L hadn't carried out adequate checks before agreeing to make the payment. The entry on the Companies House

register showed that the company she thought she was dealing with was in the process of being liquidated. It thought it was unusual for a legitimate car leasing business to communicate with its customers via a social messaging app and to promote itself on social media. It also considered the deposit and the monthly cost for a vehicle of this standard to be lower than one might expect. It considered the offer was too good to be true and thought this should've been a warning sign for Miss L.

Because Monzo disagreed with the Investigator's opinion, the complaint has been passed to me to consider and come to a final decision.

Findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In doing so, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

In broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. However, where the customer makes a payment because of the actions of a fraudster, it may sometimes be fair and reasonable for the bank to reimburse the consumer even though the payment was authorised.

The Lending Standards Board's Contingent Reimbursement Model code ("the CRM code") is of particular significance here. Monzo isn't a signatory to the code, but it has agreed to abide by its terms. That means it should reimburse customers who are victims of scams like this one in all but a limited number of circumstances. The code sets out several potential exceptions to reimbursement and Monzo argues that the following ones are applicable here:

- The customer ignored what the CRM Code refers to as an "*Effective Warning*" by failing to take appropriate action in response to such a warning.
- The customer made payments without having 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.

I've considered the facts of this case carefully and I'm not persuaded that either exception is applicable here.

I don't find that the warning was an '*effective warning*', as that term is defined in the CRM Code. While it contained some relevant information about scams in general, I don't think there was anything in it that addressed the type of scam that Miss L had been targeted by. It gave examples of four scenarios under which she shouldn't proceed with the payment. Three of these weren't relevant to her scenario at all. One said that she should stop if "*the offer sounds too good to be true*" but I'm not persuaded that this would've been sufficiently impactful for reasons I'll discuss later in this decision.

I'm also satisfied that Miss L did have a reasonable basis for believing that the business she paid was legitimate. I accept that the most well-established car leasing businesses wouldn't tout for business or communicate with potential customers on social media in the way that happened here. However, there are thousands of companies that operate car leasing

businesses in the UK. It certainly seems possible that some will operate their business in such a fashion. From what she's told us, Miss L hadn't leased a car before and so I don't think it would've struck her as unusual that the negotiations took place in the way they did.

She did carry out some rudimentary checks to satisfy herself that the company she was paying was legitimate, including checking the register of limited companies at Companies House. I can see that the entry on the register showed that, at the time she was entering into this agreement, that company had already entered voluntary liquidation. However, I wouldn't expect the typical customer to scrutinise the information on there. It looks as if Miss L simply checked to see if the company did genuinely exist and was satisfied that meant it was unlikely to be a scam. Finally, while the price does appear to have been lower than the typical market price, I think it was close enough to that price for it to have not raised suspicions.

Final decision

For the reasons I've explained above, I uphold this complaint. If Miss L accepts my decision, Monzo Bank Ltd should reimburse her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 7 April 2023.

James Kimmitt
Ombudsman