

The complaint

Miss L complains that Monzo Bank Ltd won't refund the money she lost when she fell victim to a purchase scam.

What happened

Miss L saw a leather handbag advertised for sale by a seller on Instagram. She explains it was inspired by the shape of a designer brand, but this particular bag didn't have any logos or branding. She told us she had purchased other items from the social media platform successfully in the past, so was interested.

Miss L recalls that the price for the bag was £90. She says that she messaged the seller and asked questions about the delivery time and where the item would be shipped from. She says the seller answered her questions promptly. She's likened the experience to buying from a popular online marketplace that sells vintage items and handmade goods. She's explained she thought she was dealing with a small company and had no reason to believe it would not send her the advertised product.

On 27 May 2022, Miss L made a faster payment of £90 from her Monzo account to the bank details the seller had given her. Unfortunately, Miss L wasn't dealing with a genuine seller. She realised she'd been scammed when the seller stopped responding to her questions about delivery and tracking for the bag. Miss L contacted Monzo to see if it could help.

Monzo contacted the receiving bank but was unable to recover any of the money Miss L had sent. It also considered whether it had any responsibility to refund Miss L for her loss.

Monzo has agreed to adhere to the provisions of the Lending Standards Board Contingent Reimbursement Model Code (the CRM Code) which can offer additional protection from Authorised Push Payment scams (APP scams) such as this one. The CRM Code says a firm should refund customers who have been the victims of APP scams like this one in all but a limited number of circumstances. But Monzo said it wouldn't refund Miss L because it didn't think she'd taken reasonable steps to check who she was paying.

Miss L didn't agree and contacted us. She thought Monzo should have refunded her. She said Monzo were making out that she had done the wrong thing but from her perspective, there was not much more she could have done. She explained she didn't see any negative reviews at the time and if she had done, she would not have risked losing her money.

One of our Investigators looked into things and recommended that the complaint should be upheld. She didn't think Monzo had been able to establish that Miss L did not have a reasonable basis for believing that the payee was the person she was expecting to pay, the payment was for genuine goods and /or that the person she was transacting with was legitimate. She didn't think Miss L had any reason to be suspicious of the deal at the time. She didn't think the price for the bag was too good to be true and wasn't persuaded that Miss L had missed any obvious red flags that ought to have made her concerned about the purchase.

Monzo didn't agree. It said the business did not exist outside of Instagram and Miss L had trusted reviews posted by the Instagram page which are easily faked. It asked us to send over a copy of the advertisement for the bag if Miss L had provided it to us. It thought Miss L should have checked the Instagram profile more closely and if she had done, she would have seen negative reviews. Monzo accepted the profile has since been deleted so it is not possible to see those reviews now. Monzo suggested Miss L should have taken more care before shopping on Instagram. It concluded by saying Miss L sent money to a personal account and not a business account.

Miss L was disappointed that the bank hadn't accepted the view. She felt Monzo was blaming her for what had happened instead of helping her. She explained that she'd put comments on the seller's posts after the scam was uncovered to try and warn other people, but these comments were deleted. She thought it was possible that other negative comments could have been deleted too. She said the bag was listed at a price she would expect a leather handbag to typically be. She thought Monzo was being unreasonable.

As no agreement could be reached, the complaint was referred to me.

My further investigation

When the complaint was referred to me, I had further questions for both sides.

I asked Monzo about the payment Miss L made and whether there was a positive match under Confirmation of Payee, which is a name checking service for UK based payments. Monzo said the recipient bank did not support Confirmation of Payee so it was unable to verify if the account details matched the account holder at the time the payment was made.

I asked Miss L if she had copies of any of the messages she'd exchanged with the seller. I asked her if she thought she was paying a business account or a personal account. I asked Miss L if she could recall the scam warning that Monzo's records show was presented to her before she made the payment.

Miss L said she wasn't able to access the chat now. She explained that she did check for reviews and it was presumptuous for Monzo to say that she didn't. Miss L wasn't overly concerned about paying a business or an individual. She explained that people often make payments to a company that has a different name or the name of a person against it, so she didn't think this would be unusual in and of itself. She concluded by saying Monzo did not do enough to protect her.

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 not persuaded any of the permitted exceptions to reimbursement apply in the circumstances of this case.

I've carefully considered the bank's reasons for declining Miss L's claim and its concerns around whether Miss L had a reasonable basis for believing the transaction to be genuine. But they do not persuade me to reach a different view. When weighing this up, I have carefully considered everything Miss L has said and provided as well as the evidence submitted by the bank. But I am not persuaded there's enough to say that Miss L failed to take the requisite level of care required for Monzo to choose not to reimburse under the terms of the CRM Code.

I'm satisfied that Monzo has not shown Miss L lacked a reasonable basis for belief because:

- At the time Miss L made the payment, she's explained that she had no reason to think this seller would not keep to their side of the bargain. Miss L didn't send Monzo screenshots showing all of her conversation with the seller at the time she reported the fraud. I have asked Miss L for this information, but it is not available now. This is not surprising as the seller's profile has been deleted. Miss L has explained that she didn't take screenshots at the time she was buying the bag because she wasn't expecting things to go wrong. I don't think this was unreasonable of Miss L, but it does mean that I only have very limited information to go on now. This means I can't be sure how the bag was presented to Miss L when she decided to buy it. I've not seen enough to say that Miss L missed any obvious red flags. I've not seen enough to be able to say that Miss L didn't take enough care when shopping on Instagram.
- Monzo has highlighted Miss L did not see negative reviews that were on the profile at the time and that positive Instagram reviews are easily faked. But it has only been able to provide undated screenshots from its own research and it is not possible to check now whether this information would have been displayed at the time Miss L was buying the bag, or how far into the profile she would have needed to delve to find it. Miss L has explained she posted a negative review on the page after she was scammed, and those comments were deleted. It seems likely that someone looking to trick people into sending money under false pretences would try and take down or conceal negative comments on a post. As such, I don't think Miss L's consistent recollection that she did not see any negative reviews at the time is implausible.
- Whilst I've not been able to see for myself exactly what was discussed, I also have no reason to doubt Miss L's recollections that she asked questions about the shipping time and where the bag was going to be sent from. She's explained that the seller responded quickly and answered her questions. I don't think Miss L has described anything about the transaction itself that ought to have stood out to her or caused her concern. Monzo has highlighted that Miss L thought she was dealing with a business but actually paid a personal account. But I am not persuaded this is a red flag in and of itself in these circumstances. From what I have to go on, I don't think Miss L thought or ought to have thought there was a considerable degree of risk associated with this purchase.
- I don't think this offer was too good to be true. Miss L didn't think she was buying a designer bag. She thought she was buying a bag similar in style. I don't think it was implausible for the seller to be offering a leather handbag for £90, which is in line with what a leather handbag might typically cost on the high street.

The CRM Code is designed to give people that have fallen victim to an APP scam the confidence that they will be reimbursed if they have acted appropriately. For the reasons I have explained, I am satisfied, on balance, that Miss L had a reasonable basis for believing the payee was the person she was expecting to pay; the payment was for genuine goods or services; and/or the person or business with whom they transacted was legitimate.

Putting things right

I've decided that Miss L ought reasonably to be refunded under the CRM Code.

To put things right, Monzo should now put things right by:

- Paying the £90 Miss L lost to the scam;

- The money came from Miss L's current account. It is not clear how she would have used the money if Monzo had refunded it when it should have done, so Monzo should also pay interest on the outstanding amount at 8% simple per year from the date it declined Miss L's claim under the CRM Code to the date of settlement, less any tax lawfully deductible.

My final decision

I uphold Miss L's complaint about Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 14 April 2023.

Claire Marsh
Ombudsman