

The complaint

Mr H is unhappy because Monzo Bank Ltd (Monzo) did not reimburse the money he transferred to a fraudster.

What happened

Both parties are aware of the circumstances of the complaint, so I won't repeat them all here. But briefly, Mr H says he bid for a tractor on a well-known online marketplace. The advert was posted by a user who had been trading since 2006 and had 100% positive feedback on around 600 transactions. The seller said they preferred to complete the transaction on the platform to keep both parties safe but then sent Mr H an invoice which provided account details to transfer funds. In an earlier message the seller explained that the invoice would show his wife's details as she held the account. The total cost, including delivery of the tractor by a third-party company, was £5,475. Mr H made the transfer in July 2022 and the seller said they would arrange for the tractor to be delivered.

When the tractor wasn't delivered Mr H became concerned and visited the address on the advert where he found out the seller didn't live there. Mr H contacted the marketplace, Monzo and the police. The online marketplace told Mr H that a fraudster had hacked a user's account to post the advert for the tractor.

Monzo hasn't agree to provide Mr H with a refund. It says that he didn't take enough steps to check who he was paying and what for. Monzo also said that the online marketplace provides clear guidance on how to use its platform which Mr H didn't follow. Mr H was unhappy with Monzo's response and brought a complaint to our service.

The investigator who considered this complaint recommended that it be upheld, and that Mr H be reimbursed his full loss with interest added. He said this because he didn't think Monzo provided Mr H with an effective warning or that Monzo had shown Mr H didn't have a reasonable basis for believing the seller and the goods were genuine. The investigator also said the payment Mr H made was unusual and out of character so Monzo should have intervened when the payment request was made.

Monzo didn't agree with the investigator's findings. It said:

- The seller asked for payment outside of the online marketplace, so Mr H should have completed more checks. This is because paying outside of the marketplace means a guarantee offered by the marketplace is lost. Given that Mr H has used the marketplace for many years he should have been aware of this.
- The advert quoted the payment method as cash on pickup. Had Mr H used this payment method he'd have met the seller and inspected the tractor before making a payment.
- The fact that a genuine seller's account was hacked by the fraudster makes no difference as Mr H paid for the tractor outside of the marketplace and without viewing the vehicle.
- The seller claimed delivery was delayed because a family member was in hospital. This scenario is one the online marketplace warns about.

The complaint has been passed to me to consider.

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.

In deciding what's fair and reasonable in all the circumstances of a complaint, 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 be good industry practice at the time.

I've considered whether Monzo should reimburse some or all of the money Mr H lost in line with the provisions of the Lending Standards Board Contingent Reimbursement Model CRM Code (CRM Code) it has agreed to adhere to, and whether it ought to have done more to protect Mr H from the possibility of financial harm from fraud

The CRM Code requires firms to reimburse customers who have been the victims of Authorised Push Payment (APP) scams like this, in all but a limited number of circumstances which I have set out below:

- The customer ignored what the CRM Code refers to as an "Effective Warning" by failing to take appropriate action in response to such an effective 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.

There are other exceptions that do not apply to this case.

It is for Monzo to establish that it can rely on one of the exceptions to reimbursement set out in the CRM Code. In this case Monzo say Mr H ignored an effective warning it gave during the payment journey and that he made the payment without a reasonable basis for believing that the payee was the person he was expecting to pay, the payment was for genuine goods or services and/or the person or business he was transacting with was legitimate

Did Mr H have a reasonable basis for believing the payment he made was legitimate?

I consider the reviews and ratings Mr H saw would have given him a sense of security that he was dealing with someone he could trust. Of course, this was the exact intention of the scammer. Given the feedback, the photographs Mr H saw of the tractor from different angles and his previous experience of buying things on the marketplace without any issues, Mr H felt that he didn't need to view the tractor. With the benefit of hindsight, I agree that it would have been better if he had viewed it, particularly given the distance between Mr H's address and the address on the advert wasn't too significant. But I can understand why Mr H felt confident that he was dealing with a genuine user.

Most of Monzo's response to the investigator's view centred around the fact Mr H paid the seller outside of the marketplace and so is not covered by the guarantee offered by the marketplace. But in the ways to pay section of the marketplace's website it says that cheques, money orders and bank transfers aren't allowed for most purchases but can be used to buy vehicles. I think a tractor falls into this category. The money back guarantee offered by the marketplace also doesn't cover vehicles. So I don't consider Monzo acted reasonably in using Mr H's payment method as a reason not to reimburse him under the

CRM Code. I can also understand why Mr H was uncomfortable carrying such a large amount of cash.

In any event, I don't believe Mr H recognised that he was being asked to pay outside of the marketplace. This is because the messages he received about payment and the invoice itself are fakes that appear to have been sent by the marketplace.

Monzo referred in its submission to this service to the fact that Mr H had failed to notice that he received communications from different users, and this should have been a red flag to him. But Mr H explained that the seller told him the invoice would come from his wife. So I don't consider Mr H ought reasonably to have thought anything was amiss.

As the seller gave Mr H excuses about why the tractor wasn't delivered after he'd made the payment, I don't think this point of Monzo's has any bearing on Mr H's reasonable basis of belief at the time he made the transfer.

After carefully considering Monzo's representations about whether Mr H had a reasonable basis for believing the transaction to be genuine, I'm not persuaded Monzo can fairly choose not to reimburse under the terms of the CRM Code.

Did Mr H ignore an effective warning?

The CRM Code says that where firms identify authorised push payment (APP) scam risks in a payment journey, they should provide effective warnings to their customers. This should include appropriate actions for the consumer to take to protect themselves from scams like the one Mr H has fallen victim to.

Monzo has explained that it provided Mr H with a warning that said,

Could someone be trying to scam you?

Stop if

X You were told your account is at risk, to make an unexpected payment or to take out a loan

X The offer sounds too good to be true

X You haven't double-checked who you're paying

X You were told to ignore warnings like this

The warning went on to say that Mr H may lose his money if he's been scammed.

I'm not satisfied this warning meets the definition of an effective warning as set out in the CRM Code. The warning highlights multiple potential scams and doesn't bring to life what a purchase scam like the one Mr H fell victim to looks like, or highlight the common features of this type of scam.

Given that I'm not satisfied the warning Monzo gave Mr H was effective it follows that he didn't ignore an effective warning and so Monzo cannot reasonably rely on this exception to reimbursement.

Should Monzo have done more to try to prevent the scam and protect Mr H?

I'm also mindful that when Mr H made these payments, Monzo should fairly and reasonably also have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud. So I've also considered whether the payment Mr H made was unusual or suspicious.

Monzo has provided statements for Mr H's account from January 2022. These show a limited number of transactions and a largest single payment before the scam transaction of under £500. In the circumstances, I think Monzo ought reasonably to have flagged Mr H's payment of £5,475 to a new payee and asked him questions about the reason for payment. Had Monzo have done so, I think it's likely Mr H's loss could have been avoided if Monzo provided warnings and stressed the importance of viewing the tractor before making a payment. The relevance of this point is that interest should be paid from the date of payment.

Recovery

I've also considered whether Monzo could have done more to try to recover the money once it had been told of the scam. We'd expect a business to take reasonable steps to try to recover the money from the bank it was sent to. Monzo has shown that it contacted the receiving bank as soon as the scam was reported so I don't think it could have done anything more to recover Mr H's funds.

Interest

Mr H transferred funds into his Monzo account from an account with another bank just before the scam transfer. So I think that were it not for the scam Mr H would have left the funds in the account with another bank. For this reason, Monzo should pay interest on the amount refunded at the rate that applied to the account the funds were transferred from. Interest is payable from the date of payment because I've concluded that Monzo could have prevented the loss.

Overall

I'm not persuaded Monzo has demonstrated that it may rely on any of the exceptions to reimbursement in the CRM Code.

My final decision

I require Monzo Bank Ltd to:

- Refund Mr H the £5,475 he lost as a result of this scam.
- Pay interest on this amount at the rate set out above from the date of loss to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 7 March 2023.

Jay Hadfield
Ombudsman