

The complaint

Miss D complains that Monzo Bank Ltd won't refund the money she lost when she was the victim of a scam.

What happened

In August 2022, Miss D was looking for a property to rent and found one she was interested in listed on an online marketplace. She spoke to the estate agents advertising the property and was told that, due to high demand, she would need to pay a holding deposit before viewing the property. Miss D then made a payment of £450 from her Monzo account to the bank details the estate agent gave her. Unfortunately the estate agent then didn't arrange the viewing and stopped communicating with Miss D. And we now know the estate agents were scammers.

Miss D reported the payment to Monzo as fraud and asked it to refund the money she had lost. Monzo investigated but said it had shown her a warning before she made the payment, and it didn't think she had taken enough steps to check who she was paying. So it didn't agree to refund the money she had lost. Miss D wasn't satisfied with Monzo's response, so referred a complaint to our service.

One of our investigators looked at the complaint. They didn't think the warnings Miss D was shown were effective and didn't agree that Miss D had made the payment without a reasonable basis for belief that it was legitimate. So they thought Monzo should refund the money Miss D lost in full. Monzo disagreed with our investigator, so the complaint has been passed to me.

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 broad terms, the starting position in 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 made the payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for the bank to reimburse the customer even though they authorised the payment.

Monzo isn't a signatory of the Lending Standards Boards Contingent Reimbursement Model (the CRM code) but has said it is committed to applying the principles set out in it. This code requires firms to reimburse customers who have been the victim of authorised push payment scams, like the one Miss D fell victim to, in all but a limited number of circumstances. And it is for the firm to establish that one of those exceptions to reimbursement applies.

Under the CRM code, a firm may choose not to reimburse a customer if it can establish that:

- The customer ignored an effective warning in relation to the payment being made
- The customer made the payment without a reasonable basis for believing that:

- o the payee was the person the customer was expecting to pay;
- o the payment was for genuine goods or services; and/or
- o the person or business with whom they transacted was legitimate

There are further exceptions within the CRM code, but these don't apply here.

Did Miss D ignore an effective warning in relation to the payment?

The CRM code says that an effective warning should enable a customer to understand what actions they need to take to address a risk and the consequences of not doing so. And it says that, as a minimum, an effective warning should be understandable, clear, impactful, timely and specific.

Monzo has sent us screenshots of the warning Miss D was shown before making the payment, which said:

"Could someone be trying to scam you?"

Stop if:

- *You were told your account is at risk, to make an unexpected payment, or to take out a loan*
- *The offer sounds too good to be true*
- *You haven't double-checked who you're paying*
- *You were told to ignore warnings like this*

You may lose money if this is a scam

If you're unsure, stop and get advice"

But while this warning does mention double-checking who you're paying, the rest of the things it mentions weren't relevant to Miss D's circumstances. It doesn't provide much detail on what a possible scam might look or feel like. I don't think it's clear enough on the seriousness of the potential consequences of sending money to a scammer. And I don't think it gives clear enough advice on what steps Miss D could have taken to avoid a scam. So I don't think this warning was impactful or specific enough to be effective in Miss D's circumstances.

Miss D was also shown a warning when setting up the new payee for the payment, which said it was almost impossible for Monzo to get the money back once a payment was made. But it only talked about taking further steps where the customer already had doubts. And it didn't give any detail on what specific scams could look or feel like. So, even combining both warnings, I don't think the warnings Miss D was shown were specific enough to be effective in her circumstances.

And so I don't think Monzo has established that Miss D ignored an effective warning in relation to the payment.

Did Miss D have a reasonable basis for belief when making the payment?

Monzo has said there were a number of red flags about the circumstances surrounding the scam, which should have caused Miss D concern. Specifically, it says she should have been concerned when she was shown a warning that the payment details she'd entered for the payment didn't match those on the account the money was going to and that the scam would have been uncovered if she had viewed the property before paying a deposit. So it doesn't think she had a reasonable basis for belief that the payment was legitimate.

But Miss D found the property listed on a genuine online marketplace. She says she spoke to both the estate agent and the landlord over the phone. And I've seen copies of a number of emails and text messages she exchanged with the estate agent, which appear relatively professional. So I think it's reasonable that the estate agent and the property will have initially seemed genuine to Miss D.

Miss D was also given a contract to sign for the holding deposit. She was sent links to the estate agent's website, which she says she followed and showed both this property and other properties the agent was advertising. And the estate agent's email signature also included a company number and address, which matched the registered details for the agent on Companies House. And I think it's reasonable that these details will have helped reassure Miss D that the estate agent was genuine.

Miss D was shown a warning when setting up the payment that the payment details she'd entered didn't match those on the account the money was going to. But, after seeing this warning, she says she called the estate agent who confirmed the details and checked Companies House and saw the estate agent registered there. And I think it's reasonable that this will have reassured her the estate agent was genuine. And I don't think it was unreasonable for her to continue with the payment, even after seeing the warning.

And while guidance about renting property will often say to view a property before paying anything, the estate agent explained that because of high demand they were only doing short notice viewings for people who verified themselves on their website. And they said the deposit would be refunded if Miss D didn't like the property after her viewing. And as the rental market can be very competitive and move very fast, I don't think it was unreasonable for Miss D to agree to this.

While I accept there were a number of red flags about what was happening that should have caused Miss D some concern, this was a sophisticated scam where the scammers had set up a fake website and registered a fake company on Companies House. I also think Miss D took reasonable steps to try to satisfy herself that everything was genuine. And she's told us she was under a certain amount of time pressure, as she had to move out of her existing property around a month after the payment was made. So based on the evidence I've seen, I don't think it's unreasonable that these issues didn't cause her enough concern to overcome the parts of the scam that felt genuine.

So I don't think Monzo has established that Miss D made the payment without a reasonable basis for belief that it was genuine.

I therefore don't think Monzo has established that any of the exclusions to reimbursement under the CRM code apply here. And so, under the CRM code, I think Monzo should refund the money Miss D lost as a result of this scam.

My final decision

For the reasons set out above, I uphold this complaint and require Monzo Bank Ltd to:

- Refund Miss D the £450 she lost as a result of this scam, less any money already recovered
- Pay 8% simple interest on this refund, from the date it initially rejected her claim until the date of settlement

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 25 August 2023.

Alan Millward

Ombudsman