

The complaint

Mr A complains Monzo Bank Ltd ("Monzo"), didn't reimburse the money he lost when he was the victim of an 'authorised push payment' ("APP") purchase scam.

What happened

Both parties are aware of the circumstances of the complaint, so I won't repeat them all here. But briefly, both parties accept that Mr A was the victim of a purchase scam.

Mr A thought he was purchasing two tickets for the final of a sporting event being held abroad. The seller/company was listing them through a well-known social media website. Mr A says the seller had a large number of followers on the social media site and appeared to have been regularly selling legitimate tickets. Mr A also says that friends had previously purchased tickets through this seller. Believing everything to be genuine Mr A paid £2,500 for two tickets on 9 May 2022 to the bank details he was provided with. Mr A received a confirmation email advising that the tickets would be available in digital format around 7-10 days before the event date.

Unfortunately Mr A had in fact paid money to a fraudster and never received the tickets.

Mr A, having realised he'd been the victim of a scam contacted Monzo on 25 May 2022. Monzo logged the scam and reached out to the beneficiary bank (the bank where Mr A had sent his funds) to see if any funds remained that could be recovered. Unfortunately Monzo received confirmation from the beneficiary bank on 10 June 2022 that no funds remained that could be recovered.

Monzo also considered whether Mr A should be reimbursed for his loss under the 'Lending Standards Board Contingent Reimbursement Model Code' (the "CRM Code").

Monzo isn't a signatory of the CRM Code but has explained that it is committed to applying the principles set out in it.

The CRM Code requires firms to reimburse customers who have been the victims of APP scams in all but a limited number of circumstances. Monzo said one or more of those exceptions applies in this case. Monzo said Mr A ought to have done more checks to make sure he was making a legitimate purchase from a legitimate seller.

Within its final response Monzo also paid Mr A £50 as compensation. £25 was for delays in it raising a complaint, and £25 was for the customer service it provided in relation to its 'customer support'.

Unhappy that he hadn't been reimbursed, Mr A referred his complaint to our service. One of our Investigators looked into Mr A's complaint and thought it ought to be upheld. The Investigator didn't believe Monzo had fairly assessed Mr A's claim under the CRM Code. They didn't consider Monzo had been able to establish Mr A made the payment without a reasonable basis for believing he was making a legitimate purchase from a legitimate seller.

The Investigator recommended Monzo reimburse Mr A the funds he lost to the scam and pay additional compensation at 8% simple interest per year on that amount from the date it declined Mr A's claim under the CRM Code.

Monzo disagreed with the Investigator's opinion. So, as the matter hasn't been resolved, I have been asked to make a final decision on the outcome of Mr A's complaint.

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 the money Mr A 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 A lost.
- The money was taken from Mr A's current account. Mr A has therefore been deprived of the use of those funds. So Monzo should also pay interest on the amount not yet refunded at a rate of 8% simple per year. This interest should apply from the date Monzo first declined to refund Mr A under the CRM Code, to the date of settlement.

As I've said above, the CRM Code requires payment service providers to reimburse customers who have been the victims of authorised push payment (APP) scams, in all but limited circumstances. If Monzo declines to reimburse its customer in full, it is for Monzo to establish that one, or more, of the listed exceptions set out in the CRM Code itself. Those exceptions are:

- where in all the circumstances, the customer made the payment without 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 that the person or business with whom they transacted with was legitimate; or
- the customer ignored an 'effective warning' by failing to take appropriate steps in response to that warning.

There are further exceptions within the CRM, but none of these are applicable here.

When assessing whether it can establish these things, a Firm must consider whether they would have had a 'material effect on preventing the APP scam'.

After having carefully considered all of Monzo's submissions, I'm satisfied that it has not shown that Mr A made the payment without a reasonable basis for believing that he was paying a legitimate seller or ignored an effective scam warning. I will go on to explain why I have reached this finding.

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

When considering this aspect, I am mindful that the test here is whether Mr A had a *reasonable basis for belief* when making the payment.

It is important to note at this point, that Mr A didn't expect or want to be scammed. He thought he was purchasing tickets through a company that had a large number of followers on a well-known social media website.

It isn't uncommon for the purchase of tickets for events to happen through social media. The seller / company had a number of followers on social media, appeared to specialise in ticket sales for a variety of events and had a presence on the social media site since mid-2021. Also, having carefully considered the price of the tickets, I don't find it was too good to be true and having looked at the communication Mr A had with the seller overall I can see why the seller appeared genuine to Mr A.

While Monzo has argued that Mr A didn't have the physical tickets, the seller sent Mr A a confirmation email that the tickets would be in digital format and would be available around 7-10 days before the event date. Again this isn't unusual, and I don't think Mr A would have had any cause for concern that something might be untoward. Mr A has said he was also reassured from looking at the history / interaction's others had with the seller – and Mr A has provided some evidence by way of screen shots that support this. Having looked at this I can see why Mr A thought the seller was legitimate and that the seller was able to obtain the tickets for the sporting event.

I am also mindful that when Mr A received the details of the beneficiary account he had to make payment to, the account beneficiary name matched. I think this would have reassured Mr A that he was dealing with whom he thought was a legitimate person selling a legitimate item.

Given the above and that Mr A could see who he was dealing with / paying, I consider he did have a reasonable basis of belief for believing that he was purchasing legitimate tickets. And in this case, I don't find there was anything unusual about the item for sale, such as the price or the seller, that should have given Mr A cause for concern at the time he made the payment.

All things considered, I can see why Mr A thought he was dealing with a legitimate seller when making the payment. So I'm not persuaded Monzo has shown that Mr A lacked a reasonable basis for belief when making the payment for it to choose not to reimburse Mr A under the terms of the CRM Code.

Did Mr A ignore an effective warning?

I've thought about whether Monzo did enough to protect Mr A from becoming a victim of a scam. The CRM Code says that where firms identify APP scam risks in a payment journey, they should provide effective warnings to their customers.

The CRM Code also says that the assessment of whether a firm has met a standard or not should involve consideration of whether compliance with that standard would have had a material effect on preventing the scam.

I am also mindful that when Mr A made this payment, Monzo should fairly and reasonably 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 (among other things).

Mr A was making a payment of £2,500. In its submissions to this service, Monzo has said a 'new payee warning' and a 'low friction warning' was shown to Mr A.

Having thought about this, I'm satisfied that the requirements of the effective warning exception were not met. I say this because the low friction warning attempts to cover multiple scams. It tells its customer to stop if they were told their account is at risk, the offer sounds too good to be true, they haven't double checked who they are paying, and they have been told to ignore warnings.

But, in this case, Mr A's account wasn't at risk, the offer didn't sound too good to be true and having received a confirmation of payee 'match' – Mr A was satisfied he was paying the correct person. And Mr A hadn't been told to ignore any warnings.

So, while Monzo hasn't specifically said that Mr A ignored an 'effective warning' and sought to decline reimbursement on those grounds, for completeness I'm not satisfied Monzo can choose to decline reimbursement under this exception either.

Did Monzo do enough to recover Mr A's funds?

In light of my conclusions above, it is not necessary in this case to consider whether Monzo took reasonable steps to recover Mr A's funds once it was made aware he was the victim of a scam. But for completeness, I can see that Monzo did act promptly once notified of the scam but unfortunately no funds remained that could be recovered.

The level of service Mr A received

Mr A was unhappy with the customer service he received from Monzo. Monzo acknowledged that there was an administration error and that it could have logged Mr A's complaint sooner. And Monzo also acknowledged that when Mr A raised his concerns about the level of customer support he received after having fallen victim to a scam it could have done more for Mr A and directed him to its specialist team whose role focuses on customer well-being. In light of this, Monzo credited Mr A's account with £50 compensation. Overall I think this is a fair amount and Monzo were correct to acknowledge it could have provided a better service to Mr A than it did.

Summary

Overall, I am satisfied that under the CRM Code, Monzo hasn't established any of the permitted exceptions to reimbursement apply.

My final decision

For the reasons explained, I've decided it is fair and reasonable to uphold Mr A's complaint about Monzo Bank Ltd.

I therefore require Monzo Bank Ltd to pay Mr A:

- the money lost through this scam, that being the sum of £2,500; and,
- 8% simple interest per year on that amount calculated from the date Monzo Bank Ltd originally declined Mr A's claim under the CRM Code until the date of settlement.

I direct Monzo Bank Ltd to pay compensation, as set out above, within 28 days of receiving notification of Mr A's acceptance of my final decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 12 May 2023.

Matthew Horner
Ombudsman