

The complaint

Mr T is unhappy because Monzo Bank Ltd declined to refund £260 which he lost as the result of a scam.

What happened

The details of the complaint are well known to both parties, so I will not go into every detail of what happened here. But, in summary, both parties accept that in September 2022 Mr T made a payment of £260 to someone he thought was a legitimate salvage business for car parts, but he never received the goods.

In September 2022, Mr T was on an online marketplace and found an advert for vehicle parts which he decided to buy. He spoke with the seller over email and the phone and agreed to buy them. The seller purported to be a salvage company and said they broke down vehicles to sell parts – and had the word salvage in their email address – albeit it was from one of the popular free email providers. They agreed a price, and Mr T sent the funds in line with their instructions. He was told he would receive the parts by the end of the week. When they didn't arrive, Mr T tried to text them and got no reply. He could no longer contact them over social media as it said the messages were not being delivered. When he attempted to call them, he was sent to an automated voicemail. It was at this point he realised he had fallen victim to a scam and raised the matter with Monzo.

Monzo investigated Mr T's complaint and issued its final response in October 2022, not upholding his complaint. In summary, they did not accept liability because they did not think Mr T had met the requisite level of care when he was making the payments to ensure he was sending them to a legitimate salvage company. They said they had contacted the receiving bank, but unfortunately had not been able to retrieve any of his funds, and the receiving bank did not accept any liability here.

Unhappy with Monzo's response, Mr T brought his complaint to our service and one of our investigators looked into what happened. They recommended that the complaint should not be upheld, and so Monzo should not refund the money that Mr T had lost. In summary, our investigator agreed that Mr T had not done sufficient checks to have a reasonable basis for believing that he was dealing with a legitimate company. Mr T remained dissatisfied. As no agreement could be reached, the case has been passed to me to decide.

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 bank is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Service Regulations and the terms and conditions of the customer's account. However, where the consumer 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 consumer even though they authorised the payment.

When thinking about what is fair and reasonable in this case, I have considered whether Monzo should reimburse some or all of the money Mr T lost in line with the provisions of the

CRM Code it has agreed to adhere to and whether it ought to have done more to protect Mr T from the possibility of financial harm from fraud.

The CRM Code

Monzo has agreed to adhere to the Lending Standards Board Contingent Reimbursement Model ('CRM') Code which requires firms to reimburse customers who have been the victims of APP scams like this in all but a limited number of circumstances. It sets out standards that banks, such as Monzo, are expected to meet in terms of protecting their customers from financial harm. But it also sets out expectations that a customer should meet, too. As a starting point, a customer should receive a full refund if they fall victim to an authorised push payment scam such as this one.

There appears to be no dispute that Mr T was the victim of an authorised push payment scam here. He thought he was sending funds to purchase car parts but instead the funds went to a scammer. But, Mr T would not be entitled to a full refund if Monzo can fairly and reasonably demonstrate, as they have asserted, that Mr T has failed to meet the requisite level of care under one or more of the listed exceptions set out in the CRM Code.

Those exceptions are:

- 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: 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 further exceptions within the CRM Code, but they do not apply in this case.*

Did Mr T have a reasonable basis for belief?

Unfortunately, I think the evidence suggests that Mr T did not have a reasonable basis for believing that he was dealing with a legitimate business when he made the transfer. I say this because:

- Mr T said he had successfully purchased things from the online platform prior to the scam, so this was a trusted platform. This may have led him to believe the platform was safer, however, the platform is ultimately used to link private sellers to private buyers, so using it before did not mean that the seller in this case was verified in any way by Mr T.
- The online platform says customers should not part with their funds for goods if they have not been able to verify the goods they are buying. I appreciate Mr T was unable to do so because of the distance he would have had to travel, but in the first instance I would expect him to look for the parts nearer where he lived, or if this was not possible I would have expected him to have done more to verify the seller, and to send the payment through a more secure method.
- The online platform does have guidance on how to stay safe when using it to purchase items, which specifically says not to transfer money to sellers in the way that Mr T did. The online marketplace does have a payment function which offers further protections. Mr T does not appear to have been aware this was an option. However, it is clear that Mr T did have some awareness that different methods provided different protections – he said he had previously used PayPal to pay private sellers for this reason. Mr T said the reason he had not done so here was because he thought he was dealing with a legitimate business, rather than an individual - though it is clear the payment was going to an individual rather than business account here so I think it would have been prudent to consider his payment options here.

- Further, in this case, Mr T did not verify that he was dealing with a legitimate business. He said he spoke to more than one person, which he felt added credibility as did the fact he liaised with an email address which had the name of a salvage company in it. But the email was a generic free email address, and when he later looked up the 'company' he could not find anything about them online. So, I am not satisfied Mr T did enough to verify that he was speaking with a legitimate business.
- I think a further cause for concern was that Mr T sent the funds to a personal account rather than a business account. The scammer told him this was because he was not paying VAT, but this would infer to me that the company were avoiding paying tax which should then add to any concerns that they were not a legitimate business. And when combined with the other factors outlined above I think this might have given Mr T cause for concern.

Considering the above, I think it is fair to say that if Mr T could not verify the goods or the company, and they asked him to pay via unsecure means, it would have been appropriate to have found a different seller – which would have been in line with the guidance the online platform themselves give. I am satisfied, therefore, that Mr T did not have a reasonable basis for believing he was making a payment to a legitimate company through a secure payment method, so Monzo acted fairly in saying that this exception to refund under the CRM code was applicable in this case.

Did Mr T ignore an effective warning?

Monzo in their submissions to this service, referred to a warning that Mr T would have seen at the point he was making the payments. And under the CRM Code, Monzo can be required to present an effective warning where they identify a scam risk. But I don't consider that the payment made by Mr T was so out of the ordinary that the bank ought to have believed there was a scam risk. The amount sent wasn't sufficiently unusual in size, nor do I consider there to have been any concerning features of the payment to put Monzo on notice that Mr T was at risk of financial harm. And so, I don't believe Monzo needed to do more than it did in terms of providing warnings about making the payment.

Should Monzo have done more to protect Mr T?

In addition to their responsibilities under the CRM code, when Mr T made the payments, Monzo should fairly and reasonably have had systems in place to look out for unusual and out of character transactions or other signs that might indicate that Mr T was at risk of fraud or financial harm (amongst other things). However, as outlined above, there was nothing about the payment that ought reasonably to have alerted Monzo that Mr T was at risk of fraud or financial crime – so I do not think that they needed to intervene with the payment at the time it was being made.

Recovery

I have also considered whether Monzo could have done more to try to recover the money once it had been told of the scam. We would expect a business to take reasonable steps to try and recover the money from the bank it was sent to, with urgency, after their customer notifies them they fell victim to a scam. Monzo did try to recover the funds Mr T lost – though the evidence suggests it may not have happened until around six hours after Mr T spoke to Monzo's fraud team. But our investigator spoke to the receiving bank who confirmed that the receiving account was emptied prior to the date Mr T reported the scam, so I cannot say that earlier reporting to the receiving bank would have had a material difference here.

My final decision

My final decision is that I do not uphold this complaint, and require Monzo Bank Ltd to do nothing further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 24 October 2023.

Katherine Jones
Ombudsman