

The complaint

Miss R complains that Monzo Bank Ltd refuses to refund money she lost to a scammer.

What happened

Miss R set up an account with an online marketplace so that she could sell some items, I'll refer to the company as "V". After setting her account up and listing her items, Miss R received a sales notification. Miss R then received an email from V requiring her to verify her account so that they could ensure she was legitimate. During this time, she was also talking to the buyer of her item via V's chat function. The instructions were that Miss R would need to make a card payment and it would be immediately refunded, then the proceeds from her sale would be released. Miss R completed the steps required using the verification link and proceeded to make the payment. She subsequently received a notification in her Monzo app to approve the payment. The payment was in a foreign currency and she knew V was based abroad, so she approved the payment. Once approved, Miss R visited her Monzo dashboard and saw that £514.05 had been taken on 29 September 2022. Shortly after this, Miss R came to the realisation that she'd been scammed and the email wasn't from V and rather the scammer. Miss R also noted that the conversation she had with the buyer via V's chat function had disappeared.

Miss R reported the scam to Monzo immediately and over the next week spoke with them on multiple occasions. Monzo concluded it was unable to process a chargeback claim on Miss R's behalf as she'd authorised the payment and there weren't any valid chargeback reason codes it could use.

Unhappy with Monzo's response and the customer service she received, Miss R referred her complaint to this service. She felt, amongst other things, Monzo should be refunding her loss based on the Contingent Reimbursement Model (CRM) Code.

One of our Investigators didn't think Monzo should refund the disputed payment and she also felt Monzo handled things within a reasonable time. Miss R asked for an Ombudsman to review her complaint.

The complaint has therefore been passed to me for determination.

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 don't uphold this complaint and I'll explain why.

Before I do, I'm very sorry to see that Miss R has been the victim of such a cruel scam. My decision does not place any blame on Miss R from falling victim to this scam, I can appreciate why she genuinely believed the scammers email had come from V.

Chargeback is a voluntary scheme run by Mastercard whereby it will ultimately arbitrate on a dispute between the merchant and customer if it cannot be resolved between them after two 'presentments'. Such arbitration is subject to the rules of the scheme — so there are limited grounds on which a chargeback can succeed. Our role in such cases is not to second-guess Mastercard's arbitration decision or scheme rules, but to determine whether the regulated card issuer (i.e. Monzo) acted fairly and reasonably when presenting (or choosing not to present) a chargeback on behalf of its cardholder.

In my judgement, it was not unreasonable for Monzo to conclude it had no valid dispute grounds in order to process a chargeback claim on behalf of Miss R. Before Monzo can process a chargeback claim, valid grounds to do so must exist. Unfortunately, Mastercard's rules don't cover the situation Miss R found herself in. As she authorised the payment through a degree of higher verification, Monzo couldn't have pursued a chargeback claim on the basis that the transaction was 'unauthorised' as this wasn't the case.

There also weren't any other 'reason codes' Monzo could have used because the other relevant codes first require there to have been an agreement for the purchase of goods or services. Here there was no evidence of an agreement between Miss R and the recipient of the funds and any evidence of the conversation Miss R had with the scammer had since been deleted in V's chat function.

I've also considered whether Monzo had any other recourse to recover Miss R's payment and I've not seen that it did. Chargeback would have been its only option as Miss R used her Monzo debit card to instruct the payment. The CRM Code would only be applicable to bank transfers made to another person in the UK. Neither of these factors were present in Miss R's payment.

There might be occasions where Monzo can interrupt an authorised payment instruction and I've seen our Investigator explained why it might do so. Here, I don't think there was anything unusual enough about Miss R's payment instruction that would have led Monzo to reasonably believe she may have been falling victim to a scam. It was a single payment, not for a particularly large amount and Miss R went through additional verification checks to ensure she was instructing the payment. So I don't think Monzo ought to have interrupted its duty to instruct the payment.

In summary, I don't think Monzo acted unreasonably by declining to take Miss R's chargeback claim forward. I also don't think it could have reasonably suspected she may have been falling victim to a scam and therefore, I don't think it could have prevented it.

Finally, I've noted Miss R called and spoke with Monzo a number of times after she'd reported the scam and I appreciate having to recount the events by speaking to different members of staff would have been frustrating for her. But I think Monzo reviewed the matter and provided an answer to Miss R within a reasonable time. And so I don't think it failed with regards to the customer service she received.

My final decision

For the reasons set out above, and despite my natural sympathy for Miss R's loss, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 7 July 2023.

Dolores Njemanze

Ombudsman