

## The complaint

Mr U complains that Monzo Bank Ltd won't refund the money he lost after he fell victim to an 'authorised push payment' ("APP") scam.

## What happened

The background to this complaint is well-known to both parties, so I won't repeat it all here, But briefly, and based on the submissions of both parties, I understand it to be as follows.

Mr U saw a vehicle for sale, on a well-known online marketplace, that he was interested in buying. Mr U has said the vehicle was around £600-£700 cheaper than others he had seen advertised. He's told us that he contacted the seller and checked the vehicle on the gov.uk website and the details matched.

Believing everything to be genuine Mr U agreed to buy the vehicle and, on 16 December 2022, sent three payments from his Monzo account, totalling £3,390, to two separate account details that were given to him. But unknown to him at the time, Mr U was dealing with fraudsters and had sent his payments to accounts the fraudsters controlled. A breakdown of the payments Mr U made is listed below;

16 December 2022 @ 12:56	£40.00
16 December 2022 @ 15:35	£10.00
16 December 2022 @ 15:55	£3,340

Mr U became suspicious a couple of days after making the payments, when he discussed the transactions with his wife and she thought this might be a scam.

Mr U raised the matter with Monzo. It has committed to follow the Lending Standards Board Contingent Reimbursement Model (CRM) Code (although it isn't a signatory), which requires firms to reimburse customers who have been the victims of APP scams like this in all but a limited number of circumstances. Monzo says one or more of those exceptions applies in this case.

Monzo issued its final response to Mr U on 15 February 2023, not upholding his complaint. In summary it said it had followed its correct internal procedures and there had been no error. It added that it had reached out to the beneficiary banks (the banks to which the payments were made), but had only been able to recover £40 (the first payment) of the money Mr U had lost, which was returned to him.

Unhappy with Monzo's response, Mr U then brought his complaint to this service. One of our Investigator's looked into things and thought the complaint should be upheld in part. In summary, our Investigator didn't consider the first two payments Mr U made, for £10 and £40 warranted Monzo providing Mr U with an effective scam warning. But that at the point Mr U made his third payment our Investigator considered that an effective warning ought to have been given.

Our Investigator added that he thought the third payment was substantial enough for Monzo to have provided an effective warning, which he didn't consider it had done under the CRM code. But he clarified that, in the circumstances of this case, this didn't mean Monzo ought to have intervened to the point of stopping the payment and speaking to Mr U before allowing the payment to be progressed. But that it still ought to have provided an effective warning in accordance with the CRM code.

But the Investigator also felt there was enough red flags that ought to have led Mr U to have carried out more checks to make sure the payment he was making was to a legitimate company. So our Investigator thought Mr U should share the responsibility with Monzo. In view of this, our Investigator recommended that Monzo should refund Mr U 50% of the money he lost from the third payment he made (being £1,670), along with interest.

Mr U agreed with our Investigator's view, but Monzo disagreed. As agreement couldn't be reached, the complaint has been passed to me for a decision.

### **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.

Mr U doesn't dispute that he made the three payments from his Monzo account. This means they were authorised by him. So the starting point under the Payment Services Regulations 2017 and the account terms and conditions is that Mr U is responsible for the payments as well as any resulting losses.

But the matter doesn't end there. I've also considered whether Mr U should have received a refund of the money he lost under the provisions of the CRM code. Monzo has committed to following the CRM code. This means Monzo has committed to reimburse customers who are victims of authorised push payment scams except in limited circumstances.

The exceptions relevant to this case are:

- 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.
- The customer ignored an effective warning in relation to the payment being made.

Our Investigator didn't think Mr U had done enough to ensure that he was dealing with a legitimate company and that Mr U should, at least in part, take some responsibility for his loss as a result of this. For the same reasons explained in their view, I agree with our Investigator's position on this point.

Mr U has agreed with our Investigator's view and Monzo hasn't argued that Mr U shouldn't take some responsibility. So all that is left for me to consider is whether Mr U ignored an effective warning. Our Investigator's view was that Monzo ought to have provided Mr U with an effective warning at the point he made his third payment. He added he didn't think the warnings Monzo provided were effective. Monzo disagreed, it didn't think the lack of a scam warning was an error, nor was it a requirement of the Code.

I've thought about this carefully, having done so I don't think it would have been necessary for Monzo to have provided effective warnings for the first two payments Mr U made. But, in the circumstances of this case, I'm persuaded that it ought to have provided an effective

warning at the point he made his third payment. I say that as it wasn't for an insignificant value and followed, in quick succession, two other payments to new payees. Considering this I think it should have triggered a warning. I'm not suggesting this warning should necessarily have extended to Monzo blocking the payment and having a conversation with Mr U, but the warning should have met at least the minimum criteria required under the CRM code.

I've considered the warnings Monzo says it gave Mr U during the payment journey and I appreciate that it tried to provide an effective warning. But overall, I'm not satisfied it can reasonably be said that the requirements of the effective warning exception were met. I don't think the warning was impactful or specific enough. For instance it doesn't specifically relate to Mr U's situation or the scam he was falling victim to and doesn't bring to life the nature of car purchase scams. So I'm not satisfied that the low friction warning provided is sufficient to demonstrate Monzo has provided an effective warning.

In summary, with the above in mind, in the particular circumstances of this case, I consider that Mr U ought to have had concerns about the legitimacy of the goods he'd been offered and that, in turn, ought to have led to a greater degree of checking on his part. In not carrying out sufficient checks I don't find he had a reasonable basis for believing the goods were genuine. But I also don't think Monzo has been able to demonstrate that it provided an effective warning to Mr U at the point he was making his third payment. I therefore consider, in line with the provisions of the CRM code, liability should be shared equally between Monzo and Mr U, for the third payment he made.

Finally, I've considered whether Monzo did all it could to try and recover the money Mr U lost, once he had reported the scam to it. From the evidence I've seen, Monzo did contact the receiving banks when he raised the matter, but it was only able to recover £40 of the money Mr U had lost. Evidence I've seen, from the receiving banks, shows that the majority of the funds Mr U paid were removed from the beneficiary accounts within minutes of Mr U making the payments. So I don't think Monzo has missed an opportunity to recover the money Mr U sadly lost.

### **Putting things right**

For the reasons outlined above, Monzo Bank Ltd should now;

- Refund Mr U 50% of his loss from the third payment he made, being £1670 (50% of £3,340)
- Pay 8% interest on this amount from the date it declined Mr U's claim under the CRM Code, to the date of settlement.

### **My final decision**

My final decision is that I uphold this complaint against Monzo Bank Ltd in part.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 17 July 2023.

Stephen Wise  
**Ombudsman**