

The complaint

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

What happened

In May 2022, Miss P was looking to buy a car and saw one she was interested in listed for sale on an online auction website. She contacted the seller and after exchanging a number of messages with them, visiting their website, and doing some online checks on the car, she agreed to buy it. She then made two payments to the bank account details the seller gave her, for a deposit and then the remaining balance, as set out below:

Date	Details	Amount
22 May 2022	1 st bank account details	£1,000
27 May 2022	2 nd bank account details	£4,500

It was agreed the seller would deliver the car to Miss P two days after she made the second payment. But, when the car didn't arrive and the seller stopped responding to her, Miss P became suspicious. She contacted someone else who worked for the company she thought was selling the car, but they told her they weren't selling the car and she had been the victim of a scam. Miss P then reported the payments to Monzo and asked it to refund the money she had lost.

Monzo investigated but said it had made the payments in line with Miss P's instructions and didn't think she had taken enough steps to check who she was paying and what for. So it didn't agree to refund the payments. Miss P 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 Miss P had a reasonable basis for belief when making the payments. But they thought Monzo should have provided an effective warning when she made the second payment, and hadn't done so. So they thought Monzo should refund 50% of the second payment. 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 P 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.

Was Miss P vulnerable, under the CRM code?

The CRM code says that, where a customer is vulnerable, the bank should refund them in full – regardless of whether any of the exceptions to reimbursement apply. And it defines a customer as vulnerable if it would not be reasonable to expect them to have protected themselves from the particular scam they fell victim to.

Miss P has mentioned several medical conditions that were affecting her around the time of the scam. And I don't underestimate the impact these had and appreciate that this will have been a very difficult time for her. But as she had been looking for this make and model of car for some time, considered several finance options, carried out some checks and spoke to her family about the sale, I don't think she was unable to protect herself from this particular scam.

So I don't think Miss P meets the definition of vulnerable from the CRM Code, and so the exclusions to reimbursement could still apply.

Did Miss P have a reasonable basis for belief when making the payments?

Monzo has argued that Miss P didn't take enough steps to check who she was paying and what for, and so didn't have a reasonable basis for belief when making the payments. And I appreciate that this was a sophisticated scam and that Miss P had done a number of checks to try to satisfy herself that the sale of the car was genuine. But I also think there were a number of things about what was happening and what she was told that should have caused her significant concern.

From the independent valuations our service has carried out on the car Miss P thought she was buying, it appears that the seller was listing it for sale at significantly below market value. The car appears to have been listed at less than half the usual market value for a car of the same age, make and model. And as Miss P has said she had been looking for this particular model of car for some time, I think it's reasonable to expect her to have noticed this and to have been concerned that the price the car was being listed at was too good to be true.

Miss P was also asked to make the payments to personal accounts, rather than a business account for the limited company she thought was selling the car. The personal accounts she was asked to make the payments to were in the names of two different people, neither of which matched the name of the person she'd been speaking to or the directors of the company she'd looked up. And she doesn't appear to have been given any explanation of

who the people she was paying were or how they were connected to the sale. So I think this should also have caused her significant concern.

While Miss P did do some checks into the sale, I think the issues I've mentioned above should have caused her significant concern. And I don't think the seemingly genuine information she saw from the checks she did should have been enough to overcome those concerns.

So I think Monzo has established that Miss P made the payments without a reasonable basis for belief that they were genuine. And so it has established that one of the exceptions to reimbursement under the CRM code applies here, and it does not have to refund Miss P all of the money she lost.

Did Monzo meet its obligations under the CRM code?

Even though I don't think Miss P had a reasonable basis for belief when making the payments, she may still be entitled to a refund of some of the money she lost if Monzo didn't meet its obligations under the CRM code – one of which is to provide effective warnings when it identifies a scam risk.

The first payment Miss P made wasn't for what I'd consider to be a particularly large amount. There had been other payments out of her account for similar amounts previously, and it didn't leave the balance of her account at a particularly unusual level. So I don't think Monzo ought to have identified a scam risk as a result of this first payment.

But the second payment Miss P made was for a significantly larger amount, and was significantly larger than the payments usually made from her account. And while there were some similar or larger payments made from her account in the previous months, I don't think they were frequent enough to make this kind of payment seem like normal activity for the account. And they were mostly made to other banks, rather than to personal accounts as this second payment was. So I think Monzo ought to have identified a scam risk as a result of the second payment, and shown Miss P an effective warning before allowing it to go through.

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 a copy of the warning Miss P was shown before she made the second 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 at all unsure, stop and get advice."

While the warning does mention offers that are too good to be true and double-checking who you are paying, the rest of the things mentioned in it aren't really relevant to Miss P's circumstances. The warning doesn't give much detail about what this kind of scam could look or feel like. And I don't think it does enough to highlight the seriousness of the risks or what steps someone could take to try to avoid falling victim to a scam.

So I don't think this warning was specific or impactful enough to be effective in Miss P's circumstances. And so I don't think Monzo has met its obligations under the CRM code.

Overall then, I think Monzo has established that Miss P made the payments without a reasonable basis for belief that they were genuine. But I also think Monzo has failed to meet its obligations in relation to the second payment. So I think Miss P is entitled to a refund of 50% of the second payment under the CRM code.

As I think Miss P is entitled to this refund under the CRM code, I think Monzo should have agreed to it when it first assessed her claim. And so I think Monzo should also pay Miss P 8% simple interest on the refund, from the date it initially declined her claim until the date of settlement.

Did Monzo do enough to try to recover the money Miss P lost?

We expect banks to take reasonable steps to try to recover the money their customers have lost, once they are made aware of a scam.

But the bank the money was sent to has told us the money was removed from the accounts it was sent to before Monzo was made aware of the scam. So I don't think anything we would reasonably have expected Monzo to do could have recovered the money Miss P lost, and so I won't be asking it to do anything further.

My final decision

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

- Refund Miss P 50% of the second payment – totalling £2,250
- Pay 8% simple interest on this refund, from the date it initially rejected Miss P's claim until the date of settlement

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 14 December 2023.

Alan Millward
Ombudsman