

## The complaint

S, a limited company, complains that Monzo Bank Ltd won't refund the money it lost when it was the victim of a scam.

## What happened

S is a limited company and, in July 2022, it was looking to purchase a van. It saw one it was interested in for sale on an online auction website and so contacted the seller. And after exchanging a number of messages with the seller, S agreed a price and made two payments to the account details the seller gave it as a deposit. I've set out the payments S made below:

Date	Amount
23 July 2022	£2,495
23 July 2022	£2,000

It was agreed the seller would deliver the van to C the following day. But, when the van didn't arrive and it couldn't get in touch with the seller anymore, S reported the payments to Monzo as a scam and asked it to refund the money it had lost.

Monzo investigated, but said it had made the payments in line with S's instructions and didn't think S had taken sufficient steps to check the seller was legitimate before making the payments. So it didn't agree to refund the payments. S 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 S had a reasonable basis for believing that the payments were legitimate. But they also thought Monzo should have provided an effective warning to S before allowing the second payment to go through. So they thought Monzo should refund 50% of the second payment. S 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 S 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.

*Did S have a reasonable basis for belief when making the payments?*

I appreciate that this was a sophisticated scam and that S had done a number of checks to satisfy itself that the sale of the van was genuine. But I also think there were a number of things about what was happening and what it was told that ought to have caused S significant concern.

From the independent valuations our service has carried out on the van S thought it was buying, it appears that the seller was listing it for sale at significantly below market value. Even before the discount S negotiated, the van appears to have been listed at less than 60% of the usual market value for a van of the same age, make and model. And as S has said it was checking a number of listing websites, I think it's reasonable to expect it to have noticed this and to have been concerned that the price the van was being listed at was too good to be true.

The account that listed the van for sale on the online auction website didn't have any previous feedback or reviews on the website. But as this account was representing a company that was supposedly listing hundreds of other vehicles for sale, I think this lack of feedback should have caused S significant concern.

S was also asked to pay the money for the deposit to the personal account of an individual, rather than to the business account of the company it thought it was buying the van from. The name it was given for the personal account doesn't match the name of the director of the company. And it doesn't appear to have been given any explanation, or asked for any proof, of who the person it was paying was or that they were connected to the selling company. And I think this should have caused S significant concern too.

While S had done some checks into the sale, I think the issues I've mentioned above should have caused it significant concern. And I don't think the seemingly genuine information it saw from the checks it had done should have been enough to overcome those concerns.

So I think Monzo has established that S 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 S all of the money it lost.

*Did Monzo meet its obligations under the CRM code?*

Even though I don't think S had a reasonable basis for belief when making the payments, it may still be entitled to a refund of some of the money it 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 S made wasn't for what I'd consider to be a particularly large amount. There were a number of payments out of S's account in the previous months for what I'd consider to be similar amounts. And this first payment didn't use up all the available balance in the account or leave the balance of the 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 when S tried to make the second payment, it had then tried to make two payments within a relatively short period of time to someone it had never paid before – which can be a suspicious pattern often seen in scams. And the total value of the two payments was significantly higher. So I think Monzo ought to have identified a scam risk as a result of the second payment, and shown S 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 it says S was shown before it made the payments, 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 S'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 C'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 S 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 S is entitled to a refund of 50% of the second payment under the CRM code.

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

*Did Monzo do enough to try to recover the money S 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 Monzo's evidence shows the money was removed from the account 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 S 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 S 50% of the second payment – totalling £1,000
- Pay 8% simple interest on this refund, from the date it initially rejected S's claim until the date of settlement

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 16 November 2023.

Alan Millward  
**Ombudsman**