

The complaint

Mr T complains that Monzo Bank Ltd won't refund money he lost as a result of a scam.

What happened

Mr T was looking to purchase a vehicle. He found an apparently suitable one on the marketplace of a well-known social media website.

He contacted the seller. It said that it would deliver the vehicle to him with a five-day money back guarantee.

The price of the vehicle was significantly lower than other comparable vehicles. The seller said this was because the vehicle was acquired from people in bankruptcy at a significantly lower price.

Mr T said that he looked up the company name he was given and could see it was legitimate. He also carried out various other checks on the vehicle – such as checking whether it had outstanding finance and a valid MOT.

Finally, before deciding to go ahead with the purchase and seemingly due to having some doubts about the legitimacy of the sale, he visited a branch of a different bank. He says that staff at that bank told him to ensure that the name on the account matched the one that he was given.

Mr T offered to collect the vehicle but the seller said this wasn't possible due to the pandemic. Unfortunately, the vehicle didn't arrive as promised and Mr T realised that he'd been scammed.

He reported the matter to Monzo. It said that it wasn't responsible for his loss. It said that it had done enough to warn him when he was making the payment and that he hadn't carried out enough checks before going ahead. It also said that it had tried to recover Mr T's money, but had been unsuccessful.

Mr T referred the matter to our service. The Investigator noted that Monzo has agreed to adhere to the principles of the Lending Standards Board Contingent Reimbursement Model ("CRM Code") which means that it should refund Mr T in full in all but a limited number of circumstances. The Investigator thought that the price that Mr T had paid was just too good to be true and, although the other bank had told him to ensure that the name on the account matched the one that he'd been given, the name he was given did not match the name of the business he thought he was dealing with.

The Investigator also thought that Monzo hadn't met its standards as a firm under the CRM Code as it hadn't provided an 'Effective Warning'. So, the Investigator recommended that Mr T be reimbursed 50% of his loss. They also thought that Monzo ought to have found the payment Mr T made to be sufficiently unusual and suspicious that it should have intervened before it was made. And, had it done so, the scam would have been prevented.

I know that Mr T has previously expressed disagreement with this resolution but hasn't made any more recent or specific submissions.

Monzo didn't agree. In summary it said:

- The payment wasn't that unusual and customers often make the occasional large payment.
- It wouldn't be possible for it to flag every large payment.
- The suggestion that the warning wasn't 'Effective' because it didn't mention car purchase scams was unfair – it's not possible for a warning to cover off every scenario.
- The warning Mr T did see should have been enough to make him think again about the purchase.
- The warning was viewed for a very short amount of time and Mr T wouldn't have been able to read it in that time.

In advance of a final decision, I asked our Investigator to contact both parties and let them know that I didn't intend to conclude that Monzo should have discussed the payment with Mr T before it debited his account. I didn't think the payment was sufficiently unusual. So, I said that, should the complaint be upheld on other grounds, I'd ask Monzo to pay interest from the date it declined his claim under the CRM Code, rather than the date of the payment.

Mr T didn't provide any further submissions on this point. Monzo reiterated that it thought that the warning it provided had met the definition of 'Effective' under the CRM Code and that there was no requirement on it to provide a warning which was tailored to the exact type of scam its customer might be falling victim to.

As no agreement could be reached, the case was passed to me for a final 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.

The starting point in law is that Mr T is responsible for transactions he's carried out himself. But, as already set out, Monzo has agreed to adhere to the provisions of the CRM Code. So, I've considered whether Mr T should be reimbursed in full or in part by Monzo under its provisions.

The CRM Code allows Monzo to decline reimbursement if it can demonstrate (as far as is relevant to this complaint) that Mr T:

- Ignored an 'Effective Warning'; and/or
- Made the payment without a reasonable basis for believing that the sale of goods was legitimate

I think that Monzo can rely on the second exception to reimbursement, so I don't need to consider both.

I've first noted that Mr T found the car advertised on a platform where it is difficult to verify the authenticity or reputation of a seller. There is certainly no payment, or other, protection. So, I think Mr T ought to have been cautious from the outset and wary of anything which seemed too good to be true. The price here was. It wasn't a little lower than he might have found elsewhere. It was somewhere between a third and a quarter of the market value. I

don't think the explanation given for this would plausibly justify such a significant discount. The price also seemed to include free delivery – adding further cost to the seller for an already heavily discounted price.

When the seller said that they could not arrange a viewing of the car, I think Mr T should have really questioned the legitimacy of the sale. It appears that he did have doubts – that's what led him to go to the branch of another bank. I don't know exactly what was said during that conversation but some of the advice that Mr T received – to ensure that the account name matched – doesn't appear to have been followed. Not only did Mr T put the account name as a business which had no connection with the business he was apparently dealing with, but he received a message to show that the name on the account could not be matched.

Overall, while I know this will be disappointing for Mr T, I think Monzo can fairly rely on one of the exceptions to reimbursement – that he made the payment without a reasonable basis for believing that the seller was legitimate.

But Monzo also have obligations under the CRM Code and, as a matter of good practice, it should be on the lookout for out of character and unusual transactions which indicate that its customer might be at risk of financial harm from fraud. As I explained earlier, I don't think this payment was so unusual or significant that Monzo ought to have questioned it before it left Mr T's account. But I do think, and Monzo recognised, there was a potential APP scam risk in the payment journey and therefore it ought to have provided warnings (which it did).

The first, more general, warning said:

“Could this payment be to someone trying to scam you? If you have any doubts (for example you don't personally know the recipient), get some advice. Bear in mind that once you make a payment it's almost impossible for us to get it back.”

A further warning was provided after Mr T gave the reason for the payment. That warning read:

“Stop, don't pay

It's very likely this is a scam

Bank transfers arranged online or over social media are at higher risk of fraud

Bank transfers aren't protected in the same way as card payments

Pay by card if you can

You might not be able to get your money back if this does turn out to be a scam. Find a legitimate seller who lets you pay by card.”

After Mr T chose to continue with the payment, a second window would have appeared, which made it even clearer that Monzo would be unlikely to recover funds which are sent as part of a scam.

In order for a warning to be 'Effective' under the CRM Code. It must, as a minimum be: clear, specific, understandable, timely and impactful.

I accept that Monzo needs to strike a balance between its warnings being impactful and specific. A warning cannot cover off every eventuality (at least not without a longer payment journey).

But a warning of this nature can still highlight some of the key features of a scam of this nature – prices that are significantly lower than market value and the inability to view a product before buying it.

I think that a reasonable person reading the warning would only understand that there was a heightened risk of fraud from purchasing something online using a bank transfer. I understand that many legitimate purchases happen in this way and sometimes (particularly for higher value items) it won't always be possible to pay by card.

In my view, the warning lacks overall impact – it fails to bring alive some of the key features of purchase scams or highlight the key risks. So, I don't think it was an Effective Warning.

I also need to consider whether Monzo's failure to provide an Effective Warning could have had a material impact on preventing the scam. Monzo argue that Mr T viewed the warning for such a short amount of time that he can't have properly considered what it meant. The suggestion is that, even if a different warning had been shown, he wouldn't have read it. But I don't think this is fair. I can see that he viewed the warning for around seven seconds. I think this is long enough to read and understand a few lines of short text.

That means that I don't think Monzo met its standards as a firm and liability for the loss should be shared between Mr T and Monzo. I think Monzo should also pay Mr T interest at 8% simple per annum from the date it declined his claim under the CRM Code to the date of settlement.

Finally, I've considered whether Monzo did what it ought to have done to try and recover Mr T's money. I can see that the firm which received Mr T's money has confirmed those funds were removed before the matter was reported, so I don't think any action by Monzo could have led to the recovery of Mr T's money.

My final decision

For the reasons I've explained, I uphold in part this complaint about Monzo Bank Ltd and instruct it to pay Mr T:

- 50% of the money lost - £1,900
- Interest on that amount at 8% simple per annum from the date it declined Mr T's claim under the CRM Code to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 27 September 2023.

Rich Drury
Ombudsman