

The complaint

Miss D complains that Monzo Bank Ltd ('Monzo') won't refund her after she fell victim to a scam.

What happened

Miss D says that she saw an advert on an online marketplace for a kayak for £300. Miss D was interested and messaged the seller to see if the kayak was still available and then offered to buy it for £225. Her offer was accepted, and Miss D suggested a delivery method through a well-known company costing £2.99. The seller provided his partner's bank details and Miss D made a bank transfer on 25 June 2022. The kayak wasn't delivered, and the seller stopped responding to Miss D. Miss D's partner contacted the same seller to express an interest in the kayak and was told it was still available.

Miss D reported what had happened to Monzo via its chat on 30 June 2022.

Monzo hasn't signed up to the Lending Standards Board's Contingent Reimbursement Model Code (CRM Code) but has agreed to consider claims in line with it. Having done so, Monzo relied on an exception to reimbursement saying Miss D didn't complete enough checks to verify the seller was genuine and the kayak existed. It also said that no funds remained in the recipient account.

Miss D was unhappy with Monzo's response and brought a complaint to this service. She felt Monzo should reimburse her and noted that the funds went to another Monzo account.

Our investigation so far

The investigator who considered this complaint recommended that it be upheld in full. She said Monzo couldn't fairly rely on an exclusion to reimbursement for a number of reasons, including the fact the seller had an account since 2007, had a high rating and positive reviews with particular emphasis on being trustworthy, the price was reasonable for a second-hand kayak and the delivery was arranged through a reputable company.

Miss D accepted the investigator's findings, but Monzo didn't. In summary, it said:

- Miss D had no reason to believe the kayak existed or was in a good condition. The picture on the advert also appeared on other sites including a very large online retailer.
- Miss D didn't view the kayak in person or at least ask to see a video of it. The marketplace advises not to buy items a buyer hasn't seen.
- There was no pressure to make the payment and Miss D should have walked away.
- The messages Miss D exchanged with the seller demonstrate she asked few questions before bank details were shared.
- The marketplace advises not to pay by bank transfer and the fact Miss D has paid by this method before and received goods as expected is irrelevant.
- It provided a scam warning.
- Reviewing a seller's profile doesn't constitute due diligence especially as social media as a whole is notorious for being fake and distorting the truth.

- The price was too good to be true. Monzo provided links to the exact same kayak and said the price was over £500.

The complaint has been passed to me to decide.

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 deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulatory rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

In broad terms, the starting position 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. There's no dispute here that Miss D authorised the payment in this case.

Under the CRM Code the starting principle is that a firm should reimburse a customer who is the victim of an APP scam, like Miss D. The circumstances where a firm may choose not to reimburse are limited and it is for the firm (Monzo in this case) to establish those exceptions apply. Under the CRM Code, Monzo may choose not to reimburse Miss D if it can demonstrate that Miss D made the payment without having 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

I don't consider Monzo has demonstrated it can fairly apply this exclusion for the following reasons:

- At the time she made the payment, Miss D had no reason to think the seller would not keep to their side of the bargain, given her positive experiences of buying other items in the past and the good feedback the seller had received. The seller was "Highly rated" on the marketplace with a rating of 4.6 out of 5 and had reviews which referred to the fact he was trustworthy.

User feedback and reviews are an integral part of the online marketplace experience and it's not unreasonable for Miss D to have felt reassured that she was dealing with a trusted and established seller. I'm not persuaded that Miss D ought reasonably to have had any concerns given the information Miss D had, which indicated she was buying genuine goods from a legitimate seller. When Miss D discussed delivery the seller said he knew where the local delivery drop-off point was as he used it regularly, making himself sound like a legitimate seller.

Monzo has referred to the fact that that social media is known for distorting the truth. But I think we need to remember that a lot of genuine sales take place on the marketplace and that those without knowledge of fraud and scams are far less likely to approach a purchase with the degree of scepticism suggested by Monzo. The marketplace itself also encourages buyers to look at a seller's profile, reviews and listings.

- I accept that it would have been advisable to view the kayak in person. Given the large distance between Miss D's address and the seller's location though, this wasn't realistic so I can understand why Miss D didn't explore this option. With the benefit of hindsight, it also would have been helpful to have requested a video or further

pictures of the kayak. But this still wouldn't have been any form of guarantee that the seller would send the kayak as agreed – it would just have demonstrated that a kayak existed.

- The price was reasonable for a second-hand kayak, and this is what Miss D found when she completed some research before making the payment. I've seen evidence from a large online retailer that it was selling the same kayak new for just under £400 (including all the same accessories). The eight month old kayak Miss D sought to buy was advertised for sale at £300 and the seller accepted an offer of £225. Sales of items on marketplaces can have a degree of negotiation around the price and it's not unusual for interested buyers to make offers to secure a deal.

Monzo provided links to sites that sold the same kayak new for over £500, but the actual price on these websites is £429 and £429.99. I'm not persuaded that Miss D lacked a reasonable basis for belief based on these prices either.

- Given the value of the scam payment there was no need for Monzo to provide what the CRM Code describes as an effective warning. But I've considered whether the warning Miss D was provided with ought reasonably to have resonated with her. Having done so, I'm not persuaded the warning provided affects whether Miss D had a reasonable basis for belief. The warning refers to accounts was at risk, an offer that is too good to be true, double-checking who you're paying and if a customer has been told to ignore Monzo's warning. None of these apply in Miss D's case.

Overall, I'm not persuaded Monzo can fairly rely on an exception to reimbursement so should refund Miss D in full, with interest as set out below.

My final decision

I require Monzo Bank Ltd to pay Miss D £225 plus interest at the rate of 8% simple per year from the date of its decision not to reimburse Miss D to the date of settlement.

If Monzo is legally required to deduct tax from the interest it should send Miss D a tax deduction certificate so she can claim it back from HMRC if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 22 November 2023.

Jay Hadfield
Ombudsman