

## **The complaint**

Mr B is unhappy Monzo Bank Ltd (“Monzo”) won’t refund him the money he lost as a result of a scam.

## **What happened**

The details of this scam are well known to both parties, so I have only summarised the key events here:

In February 2023, Mr B made an online payment totalling £475 to purchase a high-tech stationary exercise bike.

Mr B had initially seen the bike advertised for sale by a private seller on a social media marketplace. Interested, Mr B contacted the seller through the sites online chat function.

The seller told Mr B the bike was practically brand new. She said it had been purchased for her husband but it had been too difficult for him to use. The seller also told Mr B that the bike came with a six-month online subscription. The seller explained that the bike was at her home which was a six hour round trip away from Mr B’s residence.

Having agreed a price, Mr B enquired if he would be able to pick the bike up the next day. The seller queried the distance Mr B would have to travel and said she would include the delivery cost in the price of the sale. Mr B queried whether this would be very expensive but was told it would only cost £35.

Mr B had some reservations about the sale but ultimately agreed to make the payment after taking out a loan with Monzo to cover the cost. Mr B said he checked that the name of the seller matched the name on the account he was paying to and proceeded to make the payment. However, the bike was not delivered as agreed and the seller stopped responding to Mr B. At this point, Mr B suspected he’d been the victim of a scam and so he contacted his bank, Monzo, to let them know.

Monzo tried to recover the funds Mr B had sent, but none remained in the receiving account for recovery. It also looked into Mr B’s scam claim, but concluded it was not liable for refunding his loss. It said Mr B should’ve conducted more checks on the seller and the item to ensure they were legitimate before making the payment now in question here.

Unhappy with Monzo’s response, Mr B brought his complaint to this service and one of our investigators looked into things.

Our Investigator didn’t uphold the complaint. She wasn’t persuaded Mr B did enough to ensure he was purchasing a genuine exercise bike or communicating with a genuine seller. Specifically, she pointed out that the asking price of the bike, when taking into account any plausible delivery costs, was too good to be true.

Mr B didn't accept the Investigator's opinion. He reiterated that he had checked the name of the account he was paying matched that of the seller. He also pointed out that he had found other similar exercise bikes being sold online for around £500-£600 and so he didn't feel the price he had agreed to pay could reasonably be considered too good to be true.

As no agreement could be reached, the complaint 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.

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; regulators' 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 payment service provider is expected to process payments that its customer authorises, in accordance with the Payment Services Regulations 2017 (PSRs), which apply to this complaint, and the account terms and conditions.

But where a customer made a payment as a result of the actions of a scammer, it may sometimes be fair and reasonable for a payment service provider to reimburse its customer, even though the payment was authorised.

Under the Lending Standards Board's Contingent Reimbursement Model (the CRM Code), which Monzo has agreed to act in the spirit of, Monzo should reimburse customers who are victims of authorised push payment scams, except in limited circumstances.

In considering this, I have taken account of whether Monzo ought to have reimbursed Mr B under the provisions of the CRM Code, and whether it ought to have done more to protect him from potential financial harm from fraud. The Code also places a level of care on Mr B, and so I have also considered whether he met this too.

#### *The CRM Code*

The CRM Code requires payment service providers to reimburse customers who have been the victims of authorised push payment (APP) scams like this, in all but limited circumstances. It is for Monzo to establish that a customer failed to meet a requisite level of care under one, or more, of the listed exceptions set out in the CRM Code. Those exceptions are:

- 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:
  - 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

There are further exceptions within the CRM, but these aren't applicable here.

#### *Did Mr B have a reasonable basis for belief?*

Under the CRM Code, Monzo can choose not to reimburse Mr B if it doesn't believe he took the requisite level of care to ensure he had a reasonable basis for believing that the person he was paying, and the goods he was paying for, were legitimate. It isn't enough for Mr B to believe that he was paying a legitimate person for genuine goods or services, he had to have a reasonable basis for that belief.

Mr B says he checked that the name of the seller matched the name on the account he was making the payment to. However, I'm not persuaded that this is enough. And it's unclear how this would have persuaded Mr B that the item he was purchasing was for sale and would be delivered to him. And so, I'm not satisfied that making sure the account holder matched the name of the seller goes far enough for Mr B to have met the requisite level of care, particularly given what was being offered. I'll explain why.

The seller had told Mr B that the bike was essentially brand new, that it came with a six-month subscription and that it would be delivered, for free, for a total price of £475.

I have looked at similar sales available in the marketplace and it appears that this bike, in a similar condition, second hand, would cost between £750 and £950. This is the price for the bike alone - it does not include postage costs.

So, I'm satisfied that this bike was being advertised for a particularly low price and this would be a significant discount especially given its nearly new condition. However, I am also mindful that people can and do find good deals on online marketplaces and a potential low price, in and of itself, isn't enough to say that Mr B didn't have a reasonable basis for belief. I have to consider the price in the round, whilst also thinking about whether there was anything else about the situation that ought to have caused Mr B to question the deal further before deciding to go ahead. And in the particular circumstances of this case, I am satisfied that the inclusion of free delivery on top of an already very low price should've reasonably rung alarm bells for Mr B.

I say this because it would be difficult for a private seller to post such a large and weighty item. The parcel delivery service the seller said they were using tends to offer delivery for items weighing up to 30kg – the exercise bike in question would most likely be more than double this. And so, I don't think it's unreasonable to assume that packing and shipping such an item would, at the very least, be difficult and time consuming. I also think any shipping costs would've likely been expensive for such a large and heavy item. And I'm satisfied that Mr B would've likely known this too – he says as much in the messages shared between him and the seller. But he then goes on to accept what the seller says about the cost being minimal and therefore it would be included in the price of the sale.

I think that this should've been a significant red-flag. The cost quoted for the exercise bike alone, as I've explained, was already considerably lower than market value. With the cost of the shipping included, I'm satisfied the cost becomes too good to be true. And I agree with our investigator that this should've reasonably caused Mr B some concern. But Mr B readily accepted that the bike would be delivered to him after a very brief exchange with the seller in question.

Overall, I think Mr B should have been more concerned about what he was being told. This sale was based on a significant amount of trust. So, whilst I acknowledge Mr B was ultimately persuaded by what the seller had told him, I'm satisfied he took a risk when making this payment. I don't dispute that he made some checks, but in my view he should've been aware some things didn't add up. And so I can't fairly say that Mr B met his requirements under the CRM Code, and I think this made a difference here.

### *Was Monzo required to provide a scam warning*

Mr B should get 50% of his losses reimbursed even if he didn't have a reasonable basis for belief, if Monzo also didn't meet its obligations under the CRM Code.

One of those obligations is to give an "effective warning" if Monzo identifies a scam risk in a payment journey. However, I'm not persuaded it would be reasonable to say that Monzo should've identified such a risk here. And so, I'm not persuaded Monzo would've been required to provide Mr B with an effective warning, given the relatively low nature of the payment in question and given that it appears to be generally in-line with Mr B's usual activity on his account.

Overall, I'm satisfied that Monzo has acted reasonably in declining to offer Mr B a refund under the CRM Code given that both exceptions to reimbursement apply.

### *Recovery*

Monzo attempted to recover the funds Mr B had sent after he told Monzo what had happened to him. However, by this point, no funds remained in the receiving account to return to Mr B – they had been withdrawn within 20 minutes of Mr B making the payment. And so, I don't think Monzo could have done anything more to try and recover the funds after it had been informed of the scam.

### *Customer service*

Monzo took longer than it should've to provide Mr B with a response to his complaint and I can see that during this period Mr B chased Monzo on numerous occasions for an update only to receive a generic, templated response. I can see from the messages shared between Mr B and Monzo how frustrating this was for him and I understand why. However, I can see that Monzo has already recognised that its customer service fell below what is expected of it here and it has already paid Mr B £75 by way of an apology for this. I think £75 is reasonable in the circumstances and I don't recommend that Monzo increase its offer further.

### **My final decision**

My final decision is that I do not uphold this complaint about Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 12 January 2024.

Emly Hanley Hayes  
**Ombudsman**