

The complaint

Ms S complains that Monzo Bank Ltd won't refund money she lost as a result of an Authorised Push Payment (APP) scam.

What happened

The background to this complaint is well known to both parties, so I won't repeat it all in detail here. But in summary, I understand it to be as follows.

Ms S was looking to purchase a vehicle and found an apparently suitable one on the marketplace of a well-known social media website. She contacted the seller and was sent a video of the vehicle. The price of the vehicle was significantly lower than other comparable vehicles. The seller said this was because the vehicle was a bank repossession. The seller didn't agree to reduce the price any further, but told Ms S that the price would include delivery and if she was unhappy with the vehicle, she could return it and receive a full refund.

Ms S said that she looked up the company name from the advert and could see it was legitimate and that it had good reviews.

Believing everything to be genuine Ms S went ahead and made a payment, for £4,800, to the account details she was given. Unfortunately, the vehicle didn't arrive as promised and Ms S realised she'd been scammed and fraudsters had cloned the details of a genuine company.

Ms S raised the matter with Monzo. Monzo is not a signatory to the Lending Standards Board's Contingent Reimbursement Model (the CRM Code) but has agreed to adhere to the provisions of it. This means Monzo has made a commitment to reimburse customers who are victims of authorised push payment scams except in limited circumstances. Monzo investigated Ms S's fraud claim but concluded it had no responsibility to refund her loss. In summary this was because it didn't consider Ms S had reason to believe the goods or seller were legitimate and it said she'd made no attempt to verify the genuine nature of the goods.

Monzo also said that it had tried to recover Ms S's money from the beneficiary bank (the bank to which the money was sent), but unfortunately no funds remained. Ms S has told us she received £50 from Monzo as a gesture of goodwill.

Unhappy with Monzo's response, Ms S brought her complaint to this service and one of our Investigator's looked into things. Our Investigator thought the complaint should be upheld in part. In summary, she didn't think Monzo had met its standards as a firm under the CRM Code as it hadn't provided an 'Effective Warning' at the time the payment was made. So our Investigator thought Monzo was, at least in part, responsible for the loss Ms S had suffered.

But our Investigator also considered that Ms S should share some responsibility for her loss. She said this because she didn't think Ms S had a reasonable basis for believing the vehicle she thought she was purchasing was genuine. She said this because the price of the vehicle

was too good to be true. So our Investigator thought both parties should share some responsibility, and Monzo should refund 50% of Ms S's loss, along with interest.

Through her representative's, Ms S accepted our Investigator's view, but Monzo didn't accept it. In summary it disagreed that its warnings weren't effective or specific. It also didn't think it should look to reimburse Ms S under the CRM code, as it said our Investigator had agreed that Ms S didn't have a reasonable basis for belief when making the payment.

As agreement couldn't be reached the complaint has been 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 Ms S is responsible for transactions she's carried out herself. But, as already set out, Monzo has agreed to adhere to the provisions of the CRM Code. So, I've considered whether Ms S 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 Ms S:

- 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. This is because the price of the vehicle here, wasn't just a little lower than she might have found elsewhere, but based on trade guides it was somewhere around 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. Overall, I question why a legitimate car dealership, presumably in business to make a profit, would so heavily discount a vehicle that was being advertised as having no faults and low mileage.

So, I think Monzo can fairly rely on one of the exceptions to reimbursement – that Ms S made the payment without a reasonable basis for believing that the seller was legitimate.

But Monzo, under the CRM Code and as a matter of good practice 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. I don't think this payment was so unusual or significant that Monzo ought to have questioned it before it left Ms S'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).

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. But I don't think the warnings Monzo presented Ms S with would be considered as 'effective' under the CRM Code. I say that because;

- The warnings were not specific to the type of scam Ms S was falling victim to. The warnings speak generically about hallmarks, which could be relevant to a

wide range of scams.

- The warnings don't refer to transfers arranged online or over social media being at higher risk of fraud or explain why. For example, Ms S was buying a car from someone purporting to be a car dealership. The name used was that which applied to a legitimate car dealership at the time. There is nothing within the warning that speaks of fraudsters using social media platforms to pose as legitimate traders or that the goods or services they advertise can appear genuine when they aren't.
- Nor do the warnings explain there may be alternative methods of payment that may offer more protection, such as that bank transfers aren't protected in the same way as card payments.

In my view, the warnings lack overall impact – they fail to bring alive some of the key features of purchase scams or highlight the key risks. So, I don't think they can be considered to be Effective Warnings. I therefore don't find the warnings impactful, which means that I don't think Monzo met its standards as a firm and liability for the loss should be shared between Ms S and Monzo.

Finally, I've considered whether Monzo did all it could to try and recover the money Ms S lost, once she had reported the scam to it. Monzo did contact the beneficiary bank when she raised the matter, but unfortunately wasn't able to recover any of the money lost. So I think Monzo has done what could reasonably have been expected of it to try to recover the money.

Putting things right

For the reasons I've explained, I uphold this complaint about Monzo Bank Ltd in part and instruct it to pay Ms S:

- 50% of the money lost (being £2,400)
- Pay interest on that amount at 8% simple per annum from the date it declined Ms S's claim under the CRM Code to the date of settlement.

My final decision

My final decision is that I partially uphold this complaint against Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 15 December 2023.

Stephen Wise
Ombudsman