

Complaint

Miss F is unhappy that Monzo Bank Ltd hasn't reimbursed her after she fell victim to a scam.

Background

Miss F wanted to buy a slush machine and had been looking at second-hand models on a popular online marketplace. She found one that was suitably priced and agreed to buy it. She used her Monzo account to transfer £600 to the seller's account on 12 May 2023. Unfortunately, it turned out that she wasn't dealing with a legitimate seller, but a scammer. The seller stopped responding to her messages as soon as she'd sent the payment.

When she realised she'd fallen victim to a scam, she notified Monzo. It looked into things but it didn't agree to refund the money she'd lost. It said *"we believe you did not take reasonable steps to check who you were paying and what for. Social media is not a legitimate selling platform and you did not view the item prior to purchase."*

Miss F was unhappy with the response she received from Monzo and so she referred her complaint to this service. It was looked at by an Investigator who upheld it. The Investigator considered the complaint under the terms of the Lending Standards Board's Contingent Reimbursement Model ("CRM") Code and concluded that Miss F had made the purchase with a reasonable basis for believing it was a legitimate sale.

Monzo disagreed with the Investigator's view. In summary, it argued that Miss F shouldn't have paid for the item without seeing it in person and that she'd not followed the advice given to users of the online marketplace through which she made the purchase. Because Monzo disagreed with the Investigator's view, the complaint has been passed to me to consider and come to a final decision.

Findings

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 at 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, that isn't the end of the story. Monzo has agreed to follow the CRM Code. This code requires firms to reimburse customers who have been the victim of authorised push payment ("APP") scams, like this one, in all but a limited number of circumstances.

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 ; or
- 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.¹

Monzo did display a warning during the payment process. However, it was presented in fairly general terms and covered several different scam types. I don't think it was sufficiently specific or impactful to have affected Miss F's decision making and so I don't think the first of these exceptions is applicable.

In relation to the second exception, the Investigator concluded it didn't apply and that it was reasonable for Miss F to believe this was a legitimate purchase. I agree with that conclusion. Monzo has argued that social media isn't a valid selling platform. But the website she used for this purchase is an extremely well recognised platform for the sale of (in particular) second-hand goods, so I don't agree that she was careless in using this particular platform.

Monzo has also argued that she shouldn't have bought the machine without viewing it in person. But there are approximately 150 miles between Miss F's home and the address given by the seller. An inspection before purchase wouldn't have been realistic in the circumstances, even if we now know with the benefit of hindsight that it would've prevented her from falling victim to the scam.

While it's not straightforward to work out an objective fair valuation, the price that she paid appeared to be broadly in line with what one might expect. She says that there were similar machines available online that were cheaper and more expensive and that is consistent with the prices of second-hand slush machines listed on the platform today.

I've considered Monzo's comments about whether Miss F followed the guidance offered to users of the platform to protect themselves. However, for all of the reasons that I've discussed above, I'm not persuaded that there were unambiguous red flags that ought reasonably to have put her on notice that she needed to take a greater than normal level of care.

Overall, I'm satisfied that Miss F made the payment with a reasonable basis for believing it was in connection with a legitimate purchase and so Monzo ought to have reimbursed her under the CRM Code.

Final decision

For the reasons I've explained above, I uphold this complaint. If Miss F accepts my decision, Monzo Bank Ltd should pay her £600. It also needs to add 8% simple interest per annum to this sum calculated to run from the date it declined her claim under the CRM until the date a settlement is paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 21 December 2023.

James Kimmitt
Ombudsman

¹ There are further exceptions within the CRM code, but they don't apply in this case.