

Complaint

Mr C is unhappy that Monzo Bank Ltd didn't reimburse him after he fell victim to a scam.

Background

In August 2023, Mr C paid £618 to an individual selling a DJ controller on a popular social media site. He was told the goods would be sent to him, but he didn't receive them. The seller has since stopped contact with him.

Once he realised he'd fallen victim to a scam, he contacted Monzo. It contacted the receiving bank – i.e., the bank that operated the account used by the seller – in an effort to recover his funds but this was unsuccessful. It also considered his dispute under the terms of the Lending Standards Board's Contingent Reimbursement Model (CRM) Code. It didn't think it was required to reimburse him because it considered Mr C had made the payment without a reasonable basis for believing that the seller was legitimate.

Mr C wasn't happy with the response he received from Monzo and so he referred his complaint to this service. It was looked at by an Investigator who upheld it and recommended Monzo reimburse him in full. Monzo didn't respond to the Investigator and so the case 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 abide by the terms of the Lending Standards Board's Contingent Reimbursement Model Code ("the CRM code"). This code requires firms to reimburse customers who have been the victim of authorised push payment ("APP") scams, like the one Mr C fell victim to, 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 one of the exceptions applies. In this case, it argues that an exception does apply. The Code says that a firm doesn't need to reimburse a customer in full if *"in all the circumstances at the time of the payment, in particular the characteristics of the Customer and the complexity and sophistication of the APP scam, 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."*

I've considered this carefully and I'm not persuaded that this exception applies. In other words, I think Mr C did have a reasonable basis for thinking this was a legitimate sale. I say that because:

- The price he paid was broadly in line with the price on other listings for the same device. He'd been saving up to buy this piece of equipment for several months and had seen others put up for sale during this period.
- While it was significantly less than the new price, Mr C speculated that an updated and improved version of that device had been launched and some individuals were selling to fund an upgrade.
- Mr C looked up the seller on the social media site and found that he'd been an active member for the best part of ten years and there was evidence on his profile suggesting he was a professional DJ. Mr C inferred from this that the seller was legitimate. I don't find that conclusion to be an unreasonable one in the circumstances.
- Mr C had used this online marketplace before and paid sellers by bank transfer without a problem. I don't think it would've occurred to him, in view of his prior experience, that he was taking a risk by paying by bank transfer, rather than another payment channel.
- He didn't inspect the item before paying for it but there was a significant distance between his home and the seller's – he couldn't realistically have inspected it without a round-trip of at least ten hours.

From the evidence I've seen, I don't think there was anything that ought to have put Mr C on notice that there was a risk of fraud and I think the steps that he did take to protect himself were proportionate and reasonable in the circumstances. Overall, as I've found that Mr C had a reasonable basis of belief, I'm persuaded that Monzo should've reimbursed him under the CRM Code.

Final decision

For the reasons I've explained above, I uphold this complaint.

If Mr C accepts my decision, Monzo Bank Limited should refund the money he lost to the scam. It should also add 8% simple interest per annum calculated to run from the date it declined his claim under the CRM until the date any settlement is paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 18 January 2024.

James Kimmitt
Ombudsman