

The complaint

L complains that Monzo Bank Ltd did not refund the £4,500 he lost to a scam.

What happened

L is a limited company, and Mr B has brought the complaint on its behalf, so I'll mostly refer to him throughout the decision.

Both parties are aware of the circumstances of the complaint, so I won't repeat them again in detail here. In summary, Mr B attempted to purchase a vehicle online and paid a £4,500 refundable deposit on a £24,500 motorhome. Unfortunately, this turned out to be a scam.

Monzo is not signed up to the voluntary Lending Standards Board's Contingent Reimbursement Model ("CRM") Code, but they have agreed to follow the principles of it. They reviewed L's claim but didn't agree it was eligible for reimbursement under the code but paid him £80 for the delays they caused. Our Investigator looked into the complaint and recommended a full reimbursement of the £4,500.

The complaint was passed to me for a decision, and I felt a partial refund was due under the Code. Mr provisional decision read as follows:

The starting point in law is that L is responsible for any payments it authorised itself. However, as explained above, Monzo have agreed to follow the principles of the CRM Code which gives additional protection to victims of authorised push payment scams. The CRM Code requires a firm to reimburse victims of APP scams that fall under its provisions, unless a firm can demonstrate that one of the exceptions to reimbursement apply.

In this case, Monzo says that L lacked a reasonable basis for believing that it was purchasing a genuine vehicle. Having carefully considered this, I am currently minded to agree that Mr B, on behalf of L, has not met his obligations under the code in this aspect. I'll explain why in more detail.

Mr B was asked to pay a deposit prior to viewing the vehicle, which I don't think is unusual or unreasonable. He was under the impression the deposit was refundable if there was an issue with the vehicle, and again I can see why this would have put his mind at ease. However, I have to take into consideration the fact that the deposit was relatively large, close to 20% of the overall cost of the vehicle. So, I think it would have been reasonable for Mr B to proceed with caution.

I've gone on to consider the cost of the vehicle itself. Monzo has sent comparison vehicles of the same make and model for around £40,000. Unfortunately, Mr B no longer has the specifications such as what year it was made or the mileage, which I don't think is unreasonable. But it does make it more challenging to find a comparison. Our service was able to find a comparable model on a valuation site but this was only for the chassis of the vehicle and did not include the motorhome that would need to be attached, and this was valued at over £27,000.

Having considered all of the information available to me so far, I currently think the price was too good to be true. I note Mr B has said he understood the price was lower than most other vehicles and this was to ensure a lot of buyers would be interested. But I still think this should also have made Mr B wary and I would expect him to carry out reasonable checks as a result.

However, despite the high deposit and the price that was too good to be true, I can't see that Mr B carried out any additional checks. While he did ask for the registration number of the vehicle, this would not have provided any satisfaction that the seller had ownership of it, and in any event, he asked for this after he had paid the deposit. I think it would have been reasonable for him to ask to see the full-service history and the V5 document, which would indicate who the registered owner of the vehicle was, along with additional pictures or videos of the vehicle. However, Mr B did not see any of this and paid the deposit with no real indication that the seller had possession of the vehicle.

On balance, having carefully considered everything available to me, I don't think that Mr B had a reasonable basis for believing that this was a legitimate sale. So, I don't think he met his obligations under the CRM code.

I've gone on to consider whether Monzo met their obligations under the code in this case. In doing so, I've considered whether Monzo should reasonably have identified a scam risk during the payment journey. I've therefore reviewed the statements for L's account to compare the scam payment to the genuine account activity. The payment itself was for a reasonably high value, £4,500, and although this was a business account which can deal with higher value transactions, L's account typically didn't. This, along with the fact the payment was to a new payee, I do think Monzo should have identified a scam risk in this case and that they should have provided an effective warning.

Monzo has said that it did provide a low friction warning when Mr B made the payment, and it has provided an example of what he would have seen. I've reviewed this and having done so I don't agree it was effective. It mentions multiple scam types but doesn't go into enough detail about them to bring them to life for Mr B's specific circumstances. It also doesn't set out what steps Mr B could take to protect himself from the scam.

Based on what I've seen so far, I don't agree that Monzo has met its obligation under the code and I think partial reimbursement is due to L. I am recommending Monzo reimburse L for the payment of £4,500 but I agree it can rely on the exception as outlined above so the redress will be reduced by 50% as a result. Monzo should also add 8% simple interest to the payment from the date the claim was rejected to the date of settlement.

I can see Monzo did attempt to recover the funds from the beneficiary bank in a timely manner, once it was made aware of the scam. But unfortunately, none remained. On balance, I think Monzo acted promptly in trying to recover the funds, so I don't think it has made an error in the circumstances.

Finally, I understand Mr B is unhappy with level of service he has received from Monzo and I can see they caused delays while looking into his claim. They have already paid L £80 compensation in recognition of this and on balance, this is in line with what I would have recommended in the circumstances. So, I think what Monzo has done so far about the delays is fair and reasonable.

Monzo responded to my initial findings and felt the payment was not so out of the ordinary to warrant an effective warning, as it was a business account which regularly sends significant amounts by faster payment.

Mr B responded and felt he had made reasonable checks throughout the buying process. He reiterated that he had only paid a deposit and not the full amount and he checked the registration number for the vehicle online. He also had seen photos on the advert for the vehicle, so he felt the complaint should be upheld in full.

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.

I've considered the comments of both parties carefully and having done so, they have not changed the findings I set out in my provisional decision. I'll go through them in turn in more detail.

Monzo feels the transaction amount was not so significant that it required an effective warning to be provided by them. I've taken on board their comments, but I do not agree with what they have said. I explained in my provisional decision that while this was a business account, it did not typically deal in high value transactions, such as this one. So, I felt it was appropriate in this case for an effective warning to be provided. While it is reasonable that consumers make one-off payments from time to time, I have not recommended that Monzo should have significantly intervened prior to processing the payment and carried out detailed checks, simply that they should have provided an effective warning in the circumstances. As they did not, I don't think they met their obligations under the code.

I appreciate Mr B's comments, and these are all points that I have considered. As I set out in my provisional decision, I do acknowledge that he only paid a holding deposit prior to viewing the vehicle and I noted this was not an unusual practice. However, due to the value of the deposit in comparison to the overall cost of the vehicle, I felt this was significant enough to have warranted additional caution from Mr B. Despite this, I couldn't see he had carried out any meaningful checks to satisfy himself that the scammer had ownership of the vehicle.

While I do acknowledge that Mr B saw some photos as part of the advert, I think it would have been reasonable to ask for specific photos of parts of the vehicle or an up-to-date video which would at least confirm the individual had possession of the vehicle. The high deposit, lack of specific photos or videos, along with my view that the price was too good to be true, which I understand Mr B disagrees with, I don't think he had a reasonable basis to believe he was purchasing a legitimate vehicle. Because of this, I am recommending a 50% reduction in the reimbursement as the exception in the CRM Code states.

My final decision

Monzo Bank Ltd should refund the £4,500 payment and apply a 50% reduction to this. They should also apply 8% simple interest from the date of the declined claim to the date of settlement

If Monzo Bank Ltd considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell L how much it's taken off. It should also give it a tax deduction certificate if it asks for one, so it can reclaim the tax from HM Revenue & Customs if appropriate.

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

Rebecca Norris
Ombudsman