

The complaint

Mr W and Ms W complain that Monzo Bank Ltd ('Monzo') won't refund the money they lost after falling victim to a scam.

The complaint was brought by a representative for Mr W and Ms W, but the Monzo account is held in Ms W's sole name. For simplicity, I'll refer to Ms W throughout the decision.

What happened

In 2023, Mr W and Ms W were looking to purchase a motorhome on behalf of Mr W. They found a listing on an online marketplace and Ms W contacted the seller. Ms W was told the seller had received a lot of enquiries but if she paid the full purchase price, the listing would be removed, and she could collect the vehicle the next day.

Ms W asked for a copy of the V5 certificate, a utility bill from the seller and completed an HPI check. Ms W says she also completed a Google Earth check of the address to ensure it was genuine. Ms W was given bank account details for an account held in the seller's wife's name, which Ms W says matched the name on the utility bill she was given.

Ms W made the first two payments on 6 March 2023, then was given a new set of bank details for making the payments on the 7 March 2023. Ms W says she sent a test payment of £1 to the second set of bank details so she could confirm that the account details were correct. The second account was held in the same name as the first account.

Date	Pmt No	Transaction detail	Amount
6.3.2023	1	Payment to D – New Payee (account details 1)	£500.00
6.3.2023	2	Payment to D (account details 1)	£4,500.00
7.3.2023	3	Payment to D – New Payee (account details 2)	£1.00
7.3.2023	4	Payment to D (account details 2)	£9,000.00
		Total loss	£14,001.00

Ms W says that after making the payments, but prior to collecting the vehicle, she asked for a photo of the seller standing beside the motorhome. The seller told her it was in storage so it would take him a few hours to provide it, but later gave a different excuse as to why he couldn't provide a photo.

Ms W set off to collect the motorhome on 8 March 2023. She had several phone calls with the seller during her journey until around midday, when his phone was disconnected. When Ms W got to the address the seller had given her, she realised she'd been the victim of a scam.

Ms W raised a fraud claim with Monzo and asked them to refund her.

Monzo aren't a signatory to the Lending Standards Board's Contingent Reimbursement Model Code (CRM Code) but have agreed to adhere to the provisions of the Code. Monzo considered Ms W's claim under the Code but declined to refund her, saying she'd been shown a warning when she set up the new payees and hadn't done sufficient checks on the

legitimacy of the sale. Monzo had tried to recover the funds, but the funds had been removed from the beneficiary accounts.

Ms W wasn't happy with Monzo's response, so she brought a complaint to our service.

An investigator looked into Ms W's complaint and upheld it in part. The investigator explained that as the price was too good to be true, Ms W didn't have a reasonable basis for believing the purchase was legitimate. However, Monzo had failed to provide Effective Warnings on payments 2 and 4, so recommended they refund 50% of those payments and pay interest on the refund.

Monzo disagreed with the investigator's opinion and asked for an ombudsman to review the case. So the case was passed to me for a 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.

It's important to explain that the payments Ms W made, were funded by Mr W or one of his family members. I've reviewed evidence and am satisfied that Mr W hasn't raised a fraud claim in relation to the payment he made to Ms W, nor has the family member raised a fraud claim in relation to the payments they made to Ms W or Mr W. As Ms W hasn't experienced a financial loss, Mr W was added to this complaint, so he is aware of any redress award made to Ms W.

In broad terms, the starting position in law is that Monzo is expected to process payments that a customer authorises it to make, in accordance with the terms and conditions of the customer's account and the Payment Services Regulations (PSR's).

The CRM Code requires firms to reimburse customers who have been victims of Authorised Push Payment (APP) scams like this, in all but a limited number of circumstances. Under the CRM Code, a bank may choose not to reimburse a customer if it can establish that*:

- The customer ignored Effective Warnings, given by firm by failing to take appropriate action in response to such an Effective Warning.
- The customer made payments without having a reasonable basis for believing that the payee was the person the customer was expecting to pay; the payment was for genuine goods or service; and/or the person or business with whom they transacted was legitimate.

* There are further exceptions outlined in the CRM Code, but they don't apply to this case.

Did Ms W ignore an Effective Warning/s?

The CRM Code says that a warning should be tailored to the APP scam risk identified and such a warning should enable the customer to understand what actions they need to take to address the risk and the consequences of not doing so.

Having carefully considered the evidence Monzo have provided, I'm not satisfied that they can rely on this exception to reimbursement. I'll explain why.

When Ms W set up D as a new payee for payments 1 and 3, she was presented with a new payee warning that said:

Could this payment be to someone trying to scam you? If you have any doubts (for example you don't personally know the recipient), get some advice. Bear in mind that once you make a payment, it's almost impossible for us to get the money back.

Ms W was also shown a low friction warning when she made payments 1 and 3. This warning said:

Could someone be trying to scam you?

Stop if:

- *You were told your account is at risk, to make an unexpected payment, or to take out a loan*
- *The offer sounds too good to be true*
- *You haven't double-checked who you're paying*
- *You were told to ignore warnings like this*

You may lose money if this is a scam. If you're at all unsure, stop and get advice.

I'm not satisfied that either of these of warnings (new payee or low friction) meet the definition under the CRM Code of an Effective Warning in this case, for the following reasons:

- Neither warning was specific to the scam that Ms W was falling victim to. They didn't highlight what a purchase scam might look like where an item is being purchased online, so I'm not satisfied that it would've resonated with Ms W that she might be a scam victim.
- The new payee warning does say that if Ms W is "having doubts" because she doesn't personally know the payee, she should get advice. However, this is likely to be the case anytime an item is purchased online, so I'm not satisfied it is specific enough to the scam or that it would've brought to life that Ms W may be the victim of a scam and how she could protect herself.
- The low friction warning references Ms W double checking who she was paying, however Ms W thought she had done this by doing a smaller payment first for each of the new payees. Also, she got a Confirmation of Payee match which confirmed that the payee name she was using matched the bank account she was trying to pay. So, I'm not satisfied that this part of the warning was specific or impactful for Ms W.
- The low friction warning also suggests Ms W not proceed with the payment if the offer was too good to be true, however I'm not satisfied that this point by itself is enough to have made the warning impactful. Especially as it doesn't tell her what steps she can take to protect herself.

Taking all of these points into consideration as a whole, I'm not satisfied that Monzo has evidenced that Ms W was presented with an Effective Warning, therefore I can't fairly say that Ms W ignored an Effective Warning.

However, I've also considered the second exception to reimbursement that Monzo is relying on.

Did Ms W have a reasonable basis for belief?

Having reviewed the case, I agree that Monzo can rely on this exception to reimbursement for the following reasons:

- Ms W says they had been looking for a motorhome for a long time, so I would have expected her to know what the market value was for the item she was looking to purchase. Based on the information Ms W was given, the motorhome was nearly half the market price for similar items being sold online. And, there was nothing in the information that she had that would explain why this was the case - so this should've been concerning for her.
- Ms W requested a photo of the seller with the vehicle after she'd made the payments, however I think it would've been prudent for her to do this before paying in full. While she had asked for a V5C and done an HPI check, she hadn't seen any pictures which showed the item was in the seller's possession, or that the item was in the condition described in the online ad.
- While Ms W got a positive Confirmation of Payee – meaning the account name she was paying matched the beneficiary account name, there is no explanation for why she would need to make payment to two separate bank accounts, and I can't see that she questioned this.
- Ms W told Action Fraud that she was a little suspicious, which is why she obtained a copy of the V5C and utility bill – however I think there were enough warning signs that she should've taken further steps to confirm the seller had the item in their possession.

Taking all of these points into consideration as a whole, especially the low value of the motorhome, I'm not satisfied that Ms W had a reasonable basis for believing the seller was legitimately selling it. On that basis, Monzo can rely on this exception to reimbursement.

However, that isn't the end of the story, as there are also standards set for Monzo under the CRM Code. And, where Monzo hasn't met those standards, they may still be liable to refund part of Ms W's loss.

Did Monzo meet the standards set for them under the CRM Code?

Considering the payments that Ms W made including the size of the payments and comparing them to her previous account activity, I'm not satisfied that Monzo should've identified a scam risk for payments 1 and 3. This means they weren't required to provide an Effective Warning and have met the CRM standards in relation to these two payments.

However, payments 2 and 4, are out of character and unusual for Ms W's account. Prior to making these payments, she hadn't made any payments in excess of £2,500 and the account was predominantly used for low value transactions. So, I'm satisfied that Monzo should've identified a scam risk for these two payments and were required to provide an Effective Warning with each payment.

While Monzo provided warnings for payments 1 and 3, they didn't provide warnings for payments 2 and 4 and, as above, I'm not persuaded the warnings given were effective. So I'm not satisfied that they met the standards set for them in relation to these two payments. On that basis, Monzo should refund 50% of these payments.

Monzo says it's unfair for them to be expected to tailor warnings to every scam or intervene with every suspicious payment. However the CRM Code says, " Effective Warnings should be risk based and, where possible, tailored to the APP scam risk indicators".

In this case, I'm not saying that Monzo should've intervened (for example called) when Ms W made payments 2 and 4. I think proportionate action would've been for them to provide an on-screen warning, which needed to be effective as per the definition set out under the CRM Code. Monzo may feel this is unrealistic, however they have agreed to adhere to the provisions of the CRM Code – which is the standard I'm holding them to.

I also think it's worth highlighting that Monzo did generate warnings for the new payee payments, whilst not generating warnings for the larger more concerning payments that Ms W made.

Having carefully considered all of the points raised by both parties, I'm satisfied that Monzo should refund Ms W 50% of payments 2 and 4, with both parties taking shared responsibility for Ms W's loss. Monzo should also pay interest on this refund at 8% simple interest per year, calculated from the date they declined Ms W's claim under the CRM Code until the date of settlement.

Putting things right

To put things right Monzo Bank Ltd should:

- Refund 50% of payments 2 and 4, being £6,750.
- Pay simple interest on that refund at 8% per year, calculated from the date Monzo declined Ms W's claim under the CRM Code until the date of settlement.

My final decision

My final decision is that I uphold this complaint and require Monzo Bank Ltd to compensate Ms W, as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Ms W to accept or reject my decision before 20 February 2024.

Lisa Lowe
Ombudsman