

Complaint

Miss S is unhappy that Monzo Bank Ltd didn't reimburse her after she fell victim to a scam.

Background

Miss S wanted to book a holiday in a caravan park for her family. She found a property advertised on a social media platform and contacted someone posing as the proprietor. Unfortunately, and unknown to her at the time, she was communicating with a fraudster.

Miss S was concerned about the risk of being scammed. But to persuade her that she was dealing with a legitimate provider, she was sent photographs of the accommodation guestbook and the seller's email inbox showing booking confirmation emails relating to other bookings. Miss S was happy to go ahead and so she transferred £250 to secure the booking.

It was only when no further details were forthcoming that she realised she must have fallen victim to a scam. She notified Monzo but it didn't agree to reimburse her. It said that she hadn't carried out due diligence and shouldn't have relied on information provided to her by the scammer. It also pointed out that the payee didn't have the same name as the person she'd been in contact with on the social media platform.

Miss S was unhappy with that and so she referred her complaint to this service. It was looked at by an Investigator who upheld it. Monzo disagreed with the Investigator's view and so the complaint was 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 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 Miss S 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:

- The customer ignored an effective warning in relation to the payment being made; or
- 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.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 a customer's decision making and so the first of these exceptions is not applicable. In relation to the second exception, the Investigator concluded it didn't apply and that it was reasonable for Miss S to believe this was a legitimate booking. I agree with that conclusion

The price that she paid for the holiday rental wasn't too good to be true – a commonly occurring factor in scams like this one. Instead, Miss S paid a price that was broadly in line with what she'd have paid if she'd booked the accommodation legitimately. She made the payment to an account that wasn't in the name of the person she'd been communicating with. But as I understand it, Miss S was told that this was her contact's partner and that he was responsible for handling bookings.

She was clearly mindful of the need to protect herself from possible fraud which was why the scammer eventually shared the photographs with her. Monzo has argued that she can't be said to have carried out due diligence if the information she relied on was supplied to her by the scammer. But I don't think it would've occurred to Miss S that a scammer would go to such lengths to convince a victim that they were acting in good faith. I also don't think the reasonable person would've treated those pictures with the level of scepticism that Monzo has suggested Miss S should've applied.

I accept that, if Miss S had carried out more extensive checks, there's a possibility that she could've uncovered the scam and protected herself from it. 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 S made the payment with a reasonable basis for believing it was in connection with a legitimate booking 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 S accepts my decision, Monzo needs to:

- Refund the payment she made in connection with the scam.
- Pay 8% simple interest per annum to that sum calculated to run from the date it declined her claim under the CRM Code until the date any settlement is paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 25 April 2024.

James Kimmitt
Ombudsman

¹ There are further exceptions in the Code, but they don't apply here.