

The complaint

Mr C complains that Monzo Bank Ltd ('Monzo') won't refund the money he lost in a scam.

What happened

Mr C says he and his wife had recently paid around £1,000 to have their car repaired and had found out they were having a third child, which meant their existing car wasn't big enough. Mr C was looking for a larger vehicle and saw an advert and multiple pictures on an online marketplace for a vehicle he was interested in buying. Mr C contacted the seller, who explained that he was selling the vehicle because he was getting a new disability car and that his daughter had helped him with the advert because he wasn't familiar with the marketplace.

The seller provided Mr C with his address and Mr C checked Google Earth and was able to see the vehicle at the address given. He also obtained a report from the RAC (which he has provided to Monzo and this service) and contacted a car finance company which did an HPI check and looked into the MOT history of the vehicle. The finance company also looked at the advert and spoke to the seller.

The price of the vehicle was £15,995 and Mr C agreed to pay a £2,000 refundable deposit and the balance on inspection and collection at the seller's address. Mr C paid the deposit on 21 April 2023. After he'd paid the deposit, the seller asked Mr C to pay more as he said a dealership was interested in buying the vehicle and would pay the full amount. Mr C refused to pay any more but decided to view the vehicle sooner than he'd planned and booked a flight to an airport near the seller on 24 April. When Mr C got to the seller's address the vehicle was there, but he found that the 'seller' he had been dealing with didn't live there or own the vehicle.

Mr C contacted Monzo to report the scam on 24 April 2023. Monzo didn't agree to reimburse Mr C. It said Mr C didn't take enough steps to check who he was paying and what he was paying for. Monzo recognised that it took too long to investigate and reach its decision and credited Mr C's account with £150.

Mr C was unhappy with Monzo's response and brought a complaint to this service. He says he used the services of two reputable companies to ensure the sale and vehicle were legitimate and doesn't see what more he could have done. Mr C also said that the service provided by Monzo was terrible and affected him mentally, emotionally and financially. He feels that Monzo hasn't treated his claim seriously or treated him with compassion.

Our investigation so far

Monzo didn't provide its file when requested and so the investigator gathered information from Mr C and issued a view upholding the complaint. She was satisfied Mr C had a reasonable basis for believing he was making a legitimate purchase and felt the compensation paid by Monzo was fair.

After the investigator issued her view Monzo provided its file for this service to consider. Monzo had considered Mr C's claim under the Lending Standards Board's Contingent Reimbursement Model Code (CRM Code). Although Monzo hasn't signed up to the CRM Code it has agreed to apply the principles of it. Monzo didn't agree to provide a refund because it maintained that Mr C didn't take enough steps to check who he was paying and

what he was paying for. In particular, Mr C didn't complete checks or see the vehicle before transferring funds, didn't use the online marketplace's platform and didn't view the logbook or other documentation. Monzo also contacted the bank that received Mr C's funds but was told that there were no funds left in the receiving account to return.

The complaint was passed to me, and I issued a provisional decision asking Monzo to reimburse £2,000 plus interest on 22 January 2024. In the "What I've provisionally decided – and why" section I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

The starting point for my considerations is that, under the Payment Services Regulations 2017 and the terms of his account, Mr C is liable for transactions he has carried out himself. But Monzo have agreed to consider claims in line with the CRM Code and also have a longstanding obligation to be on the lookout for unusual and out of character transactions which might indicate their customer is at risk of financial harm from fraud.

The CRM Code requires firms to reimburse victims of APP scams like this one unless it can establish that it can rely on one of the listed exceptions set out in it. Under the CRM Code, a bank may choose not to reimburse a customer if it can establish that:

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 services; and/or the person or business with whom they transacted was legitimate.

There are other exceptions that are not relevant to this case.

Taking into account all of the circumstances of this case, including the characteristics of the customer and the complexity of the scam, I am not persuaded the concerns Monzo has raised about the legitimacy of the transaction Mr C was making are enough to support its position that it can rely on an exception to reimbursement and will explain why.

It is important to note that there is no standard of care or specific responsibilities placed on customers via the CRM Code, and in any event, the code does not bind customers. This is something the Lending Standards Board pointed out in its 2022 Review of adherence to the Contingent Reimbursement Model Code.

It's clear Mr C completed checks prior to paying the deposit and that he used two companies to do so, so I don't accept Monzo's assertion that Mr C didn't complete any checks. I can also understand why Mr C was reassured when she saw the vehicle at the correct address on Google Earth and when he received a confirmation of payee match when he made the payment.

Monzo has referred to the fact that Mr C didn't see a V5 document, but I agree that this doesn't prove ownership. And given the lengths the scammer went to in talking to the finance company and RAC it seems unlikely a genuine document would have been provided.

One of Monzo's main concerns is that Mr C didn't see the car before he paid a £2,000 deposit. Buying cars without seeing them is becoming more common, and Mr C lived around 250 miles away from where the car was located. So I think Mr C acted reasonably in paying what was described as a refundable deposit of £2,000 and the remaining £13,995 on seeing the vehicle. The deposit represented a small fraction of the overall purchase price and Mr C was reassured that if he wasn't happy with the vehicle, or it didn't match the description given, he would receive a full refund.

Monzo has also said that Mr C went outside of the online marketplace to purchase the vehicle. But vehicles aren't covered by the online marketplace's money guarantee scheme whatever payment method was used and irrespective of whether the correct process was followed.

I turn now to the service Mr C received. Mr C first told Monzo about the scam on 24 April 2023. Monzo contacted the bank that received his funds on the same day, but didn't communicate this to Mr C. As Mr C didn't hear anything from Monzo, he completed a financial difficulties form on 27 April before contacting Monzo again on 15 May to say that after logging a fraud claim he hadn't received any form of confirmation. At this stage he explained that Monzo's lack of communication was stressing him out and he was experiencing sleepless nights. Still, Mr C didn't get a response from Monzo until 20 May 2023. Mr C continued to communicate with Monzo and explain the difficulties he was facing after losing £2,000. It wasn't until 13 July 2023 that Monzo told Mr C it wasn't upholding his complaint.

The CRM Code says (R3(1)):

Firms should make the decision as to whether or not to reimburse a Customer without undue delay, and in any event no later than 15 Business days after the day on which the Customer reported the APP scam.

(a) In exceptional cases, that period can be extended provided the Firm informs the Customer of the delay and the reasons for it, and the date by which the decision will be made.

(b) The date in (a) should not be more than 35 Business days after the day on which the Customer reported becoming the victim of an APP scam.

Monzo failed to meet these timescales at a time that was already difficult for Mr C. Mr C's case wasn't complex and he ought reasonably to have received a response from Monzo in 15 business days. This delay caused Mr C a considerable amount of unnecessary stress and anguish. He has also provided evidence to this service which demonstrates the delay resulted in him falling behind with payments. In the circumstances, I'm provisionally minded to require Monzo to pay him an additional £150 compensation.

I've seen evidence to show that Monzo contacted the bank that received Mr C's funds on the day he reported the scam. But Monzo didn't do this as quickly as I'd expect. Given that I consider Mr C should be reimbursed in full, I've not asked to see evidence of when funds left the receiving account though. I also consider that as the scam was reported a few days after it happened, it's unlikely funds would have remained in the receiving account.

Overall, I don't believe that Monzo treated Mr C fairly.

Mr C let me know that he agreed with my provisional findings and Monzo said it nothing further to add.

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.

As neither party has raised any new points for me to consider I see no reason to change my provisional findings (which I have reproduced above).

My final decision

I require Monzo Bank Ltd to:

- Refund £2,000; and

- Pay interest on the above amount at the rate of 8% simple per year from the date Monzo made its decision not to reimburse to the date of settlement; and
- Pay Mr C an additional £150 compensation.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 28 February 2024.

Jay Hadfield
Ombudsman