

Complaint

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

Background

Mr K wanted to arrange driving lessons. He posted on a group on a social media site asking for recommendations. Another member of that group responded with a link to a page for a specific driving school. He claimed that his nephew received lessons from that school and had recently passed his test.

Unfortunately, the link wasn't to a genuine driving school. Mr K had been targeted by a scammer. The scammer had chosen to impersonate a genuine driving school, but the address for the page was subtly different – there was one additional letter in the address for the scammer's page. Mr K sent a message to the driving school through that page and asked questions about cost and availability. He agreed to buy a package of ten lessons and was told this would cost £300. He was asked to pay £150 upfront. He made this payment to a personal account in a woman's name – this person was seemingly unconnected to the person he'd been communicating with.

During the follow up interactions Mr K had with the scammer, he became suspicious. He'd asked whether he'd be able to use the driving instructor's car when sitting his driving test. He was told that, to do so, he'd need to pay a £200 fee that would be refunded to him later. Mr K thought this seemed unusual and asked the scammer further questions to ascertain whether they were legitimate. At one point, the scammer said he was tired of dealing with Mr K's scepticism and offered to pay him a refund if he genuinely didn't want to go ahead. Mr K later contacted the person responsible for the genuine driving school's page. They confirmed that he'd been dealing with a scammer and that there had been several other victims.

Mr K told Monzo what had happened, but it didn't agree to reimburse him. It said that he hadn't done enough to check that the person he was paying was legitimate. It did pay him £50 in recognition of some customer service shortcomings. Mr K was unhappy with that and so he referred his complaint to this service. It was looked at by an Investigator who upheld it. The Investigator concluded that Mr K had a reasonable basis for believing that he was dealing with a legitimate driving school and so Monzo ought to pay him a refund.

Monzo disagreed with the Investigator's opinion and so the complaint 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 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 Mr K fell victim to, in all but a limited number of circumstances.

Under the CRM Code, a firm can choose not to reimburse a customer if it can show that an exception to reimbursement applies. In this case, Monzo wants to rely on the exception that applies where *"the customer made the payment without a reasonable basis for believing that ... the person or business with whom they transacted was legitimate."*

I've considered this point carefully and I don't think Monzo has been able to show that this exception applies here – in other words, I think Mr K did have a reasonable basis of belief here. He'd sought recommendations from a social media group with a large number of members and was given what appeared to be an honest recommendation. Furthermore, the amount he was expected to pay wasn't significantly out of line with the typical hourly rate for driving lessons.

Monzo has pointed out that Mr K was asked to make his payment to a personal account, rather than a business account, and that this account wasn't in the name of the person he'd been communicating with. However, Mr K tells me that this was explained by the scammer. He was paying the account of someone who worked for the driving school and handled payments. I don't find the fact that he was making the payment to a person, rather than a limited company, to be particularly persuasive since not all enterprises are set up as limited companies.

Monzo has pointed to several checks that Mr K could've carried out which would've allowed him to uncover the scam. However, when the scammer made the unusual request for a £200 insurance payment to allow Mr K to use the instructor's car to take his test and pressured him to make prompt payment, Mr K promptly recognised the possibility of a scam and started asking questions of his contact accordingly. Prior to that point, I'm not persuaded that there were sufficient red flags that should've put him on notice that he might not be dealing with a legitimate company.

Final decision

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

If Mr K accepts my decision, Monzo Bank Ltd should refund the transaction he made in connection with the scam. It should also add 8% simple interest per annum to that sum calculated to run from the date it declined his claim under the Code until the date any settlement is paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 19 April 2024.

James Kimmitt
Ombudsman