

## **The complaint**

Miss D is unhappy that Monzo Bank Ltd (“Monzo”) won’t refund the money she lost when she fell victim to an advanced fee scam.

## **What happened**

The background to this complaint is well known to both parties and was set out in the investigator’s view of 2 November 2023. But briefly, in September 2022 Miss D fell victim to an advanced fee scam when she paid two deposits to secure a studio flat rental. On 22 September 2022 and 23 September 2023, Miss D transferred two payments for what she thought were deposits: one for £870 and one for £652.

Monzo declined to refund Miss D as it didn’t feel she did enough to verify the person she was sending the money to.

In the absence of any file or submissions from Monzo, our investigator upheld the complaint as he felt Miss D had a reasonable basis for believing this was a genuine situation.

Monzo provided its submissions and in response to the view it said:

- Miss D didn’t do anything to verify the person she was speaking to or who they said they were. Miss D could have verified this by meeting the landlord in person as is customary when renting a property.
- The social media marketplace is not a property rental website – specific rental websites have buyers’ protection. Miss D made the payment against the marketplace’s safety recommendations which do say ‘do not send deposits for flats to rent without having seen the flat in person first’.
- It is easy to get templates for genuine looking documents such as tenancy agreements online.
- Videos and adverts can be faked.
- Asking for a deposit is a common tactic used by scammers but not common or industry standard for legitimate rentals.
- The rental price was too good to be true.
- The ‘tenancy agreement’ says that the person Miss D was speaking to was the landlord so it doesn’t make sense that the payment would be sent to a personal account in somebody else’s name and doesn’t correlate with the story provided.

I issued my provisional decision on 28 February 2024 explaining why I was thinking of coming to a different outcome to the investigator.

Monzo accept my decision. Miss D did not agree. She said:

- It was not an unreasonable price for a tiny little room where she could touch the kitchen sink from the bed, she thought £870 was a reasonable price for this extremely small room and she had definitely seen other listings for around £1000 for a room which seemed like a fair and similar price.
- Monzo delayed giving any information for weeks to delay her claim. She messaged them immediately after she realised it was a scam and if Monzo had responded sooner she may have had the chance to get her money back.
- The name was different on the account because the scammer told her it was his father's apartment and that he was managing it. If it was a family flat, she didn't think it was suspicious sending money to another name.
- Millions of people rent on social media marketplace for legitimate properties all the time. She knows lots of people who rent this way with no issues.
- Given the scammer told her he lived quite some distance away and needed her to pay a deposit if he were to come all that way and she didn't show – it seemed fair to pay the deposit without seeing the flat.

### **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'm sorry to hear of all the emotional and financial stress Miss D has been through. This is not a decision I have made lightly.

I considered the price very carefully before reaching my provisional decision and whilst I don't doubt Miss D saw similar listings, I'm not persuaded that those were reflective of the market price in the area Miss D was looking at that is typically available.

Having reviewed what Miss D was going to be paying, alongside what she was getting for those rental costs (bills, a parking permit and furniture) I consider that the price the rental was advertised for was too good to be true.

I appreciate Miss D feels she experienced delays at the hands of Monzo. Looking at the chat history with Monzo, Miss D reported the scam on 28 September 2022 at 11:50 and after an initial response at 12:32, Monzo confirmed at 13:20 that they could start looking into things. At 13:27 Monzo explained that reviewing the claim could take 15 days – possibly 35 days. It explained at this time that it would reach out to the bank where Miss D sent her money to.

Monzo reached out to the beneficiary bank the same day and provided its response on 6 October 2022, well within the time frames indicated. As soon as it heard from the beneficiary bank that no funds remained – it conveyed this message to Miss D.

I have also checked with the beneficiary bank when Miss D's funds left the scammers account. But by the time Miss D reported the matter on 28 September 2022 (I appreciate she didn't realise she was a victim of a scam until then) Miss D's funds had already been withdrawn by the scammer. This is not unusual as scammers usually move money within hours. So even if there was a slight delay by Monzo reaching out to the beneficiary bank – I don't think it would have made a difference in this case.

I do appreciate Miss D received a plausible explanation about why she was paying someone else. From what she has said she believed she was paying the scammer's late father. But the payee's name also appeared on the contract. And appeared to be signed by the same named person. Given Miss D took this to be the scammer late father – I think this seemed odd and warranted questioning.

Taking everything into account, I see no reason to depart from the conclusions set out in my provisional decision. I have concluded that the fair and reasonable outcome, in all the circumstances, would be not to uphold this complaint. For completeness, I have set this out below.

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, on what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

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. There's no dispute here that Miss D authorised the payments – albeit she was tricked into making them. She thought she was paying deposits for a studio flat, but this wasn't the case.

However, where a customer makes a payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for the bank to reimburse the customer even though they authorised the payment.

### *The CRM Code*

Monzo isn't a signatory of the Lending Standards Boards Contingent Reimbursement Model (CRM) Code but has said it is committed to applying the principles set out in it. So when thinking about what is fair and reasonable in this case, I've considered whether Monzo should have reimbursed Miss D in line with the provisions of the CRM Code and whether it ought to have done more to protect Miss D from the possibility of financial harm from fraud.

The CRM Code requires firms to reimburse customers who have been the victims of Authorised Push Payment (APP) scams like this, in all but a limited number of circumstances.

It is for Monzo to establish that one or more of the exceptions apply as set out under the CRM Code. The exception relevant to this case is:

- 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: (i) the payee was the person the Customer was expecting to pay; (ii) the payment was for genuine goods or services; and/or (iii) the person or business with whom they transacted was legitimate.

There are further exceptions within the CRM Code, but they do not apply in this case.

### *Did Miss D have a reasonable basis for belief?*

I need to consider not just whether Miss D believed she was paying deposits for a studio flat but whether it was reasonable for her to do so. I've thought about the steps Miss D took to reassure herself about the legitimacy of the transaction and whether it was reasonable for her to proceed with the payments.

Monzo made substantial submissions regarding the prices of similar rentals to the one Miss D paid a deposit for. It said the value Miss D was quoted for the rental was too good to be true and she should have been concerned about whether it was a genuine situation as a result.

So I have thought about whether the quoted rent was too good to be true. The accommodation Miss D paid the deposit for was for a monthly rental cost of £870. Miss D says she saw similar rentals at similar prices. I have not been able to find anything similar. I have no reason to doubt what Miss D has said about other adverts she saw. But I don't think I can fairly say that they were representative of the market price in the area Miss D was looking at that is typically available.

Having reviewed what Miss D was going to be paying, alongside what she was getting for those rental costs (bills, a parking permit and furniture) I'm persuaded that the price the rental was advertised for was too good to be true (around half the value of other similar rental properties from what I have seen) and ought to have raised concerns in and of itself. Whilst Miss D recently told the investigator she believed the bills only covered the water bill, the tenancy agreement and the email exchange with the scammer - sets out quite clearly that all bills and utilities are included.

I can see why this low price likely would have enticed Miss D. But this can also be an indicator that something is not quite right about the seller or proposed deal being offered. Especially without reasons, I think Miss D should have been much more sceptical about why an individual would be willing to rent this studio flat for almost half the postal area's market value. I appreciate Miss D says the studio flat was very small and I considered this when looking at other comparable properties. But overall, given the deal, coupled with the fact Miss D was also unable to view the studio, (and I appreciate she was given reasons as to why), I would've expected Miss D to have been more wary before sending money.

Ultimately Miss D placed a lot of trust in a stranger. I consider that Miss D ought to have had greater concerns about the deal and that, in turn, ought to have led to a greater degree of scrutiny on her part. Paying a deposit for a studio flat through a social media marketplace without viewing it and at a considerable discount was always a big risk.

There were other signs that things weren't quite right here. The payee's name didn't match the landlord's name or the name of the person Miss D had been talking to – who purported to be the landlord. I appreciate there was a story that the flat had belonged to the scammer's late father. But when considering everything holistically here – I think there was enough going on to have reasonably caused concern. So I can't say Monzo has acted unfairly in declining the claim under the CRM Code.

*Did Monzo meet its obligations under the CRM Code and should it have done anything further to prevent the payments?*

The CRM Code also outlines the standards a firm is expected to meet. And it says that when assessing whether the firm has met those standards, consideration must be given to whether compliance with those standards would have had a material effect on preventing the APP scam that took place.

The CRM Code says that, where firms identify scam risks, they should provide effective warnings to their customers.

We now know, with the benefit of hindsight, that Miss D was falling victim to a scam. But based on the information that was available to it at the time, I don't consider Monzo would've had any reasonable basis for coming to that conclusion. I say this because the payments

wouldn't have appeared out of character or unusual. The payments weren't particularly large or remarkable (although I appreciate it is a lot of money to Miss D). Banks can't reasonably be involved in every transaction. There is a balance to be struck between identifying payments that could potentially be fraudulent and minimising disruption to legitimate payments. I don't think Monzo ought to have identified a scam risk as a result. So I don't think Monzo needed to provide an effective warning or ought reasonably to have taken any further action before processing the payments.

*Did Monzo do enough to try and recover Miss D's funds?*

Monzo contacted the beneficiary bank shortly after being notified of the scam, however they were unable to recover Miss D's money. By the time Miss D reported the matter on 28 September 2022 (I appreciate she didn't realise she was a victim of a scam until then) Miss D's funds had already been withdrawn by the scammer. This is not unusual as scammers usually move money within hours. So even if there was a slight delay by Monzo reaching out to the beneficiary bank – I don't think it would have made a difference in this case.

I realise Miss D is disappointed with my decision. It is unfortunate that Monzo delayed sending us its file, which led to the investigator initially upholding the complaint based on what he had available at the time, but I can't simply ignore Monzo's arguments now that it has submitted them. I sympathise with Miss D's circumstances, and I am sorry she has fallen victim to a scam and lost her money. But having considered all the evidence and arguments, I can't say Monzo has acted unfairly in declining Miss D's claim under the CRM Code.

### **My final decision**

My final decision is that I do not uphold this complaint.

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

Kathryn Milne  
**Ombudsman**