

Complaint

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

Background

In March 2023, Mr D fell victim to a purchase scam. He wanted to buy a second-hand mobile phone and found one advertised on a social media platform that he was happy to buy. He contacted the seller. Unfortunately, the person he contacted wasn't a legitimate seller, but a scammer.

Mr D agreed to pay part of the purchase price upfront and pay the balance on delivery of the phone. When the phone didn't arrive, Mr D suspected he must have fallen victim to a scam. He notified Monzo 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 genuine.

Mr D wasn't happy with that response and so he referred his complaint to this service. It was looked at by an Investigator. The Investigator considered the case under the terms of the Lending Standards Board's Contingent Reimbursement Model (CRM) Code and concluded that Monzo should've reimbursed Mr D.

Monzo didn't agree with the Investigator's view of the complaint and so it 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 D 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 I don't find that the first of these exceptions applies.

In relation to the second exception, the Investigator concluded it didn't apply and that it was reasonable for Mr D to believe that this was a legitimate sale. I agree with that conclusion. Mr D was clearly mindful of the risk of being caught out by a bogus seller. To reassure him, the scammer provided him with a picture of a driving licence. The address on the driving licence was consistent with what Mr D believed was the seller's location and the photo resembled the person he was communicating with on the social media platform.

The scammer also told Mr D that the phone had been posted and shared tracking information with him to persuade him that was the case. I don't think it was unreasonable of him to treat this information as evidence that he was likely dealing with a legitimate seller, rather than a scammer.

Overall, 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 Mr D on notice that he needed to take a greater than normal level of care. I'm therefore satisfied that he made the payment with a reasonable basis for believing it was in connection with a legitimate purchase and so Monzo ought to have reimbursed him under the CRM Code.

Final decision

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

If Mr D accepts my decision, Monzo Bank Ltd should refund the payment 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 CRM Code until the date any settlement is paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 3 May 2024.

James Kimmitt
Ombudsman

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