

The complaint

Mr A complains that Monzo Bank Ltd did not refund two payments of £4,600 that he lost to a scam.

What happened

Mr A was looking to purchase a new vehicle and found a company I'll call 'X' on a social media website. He looked up the company and they were registered on Companies House, so he felt they were legitimate. He signed a finance agreement which set the monthly payment at £650 over 24 months, with a total deposit of £4,600. He says he was given the option to discuss an additional payment at the end of the period to purchase the car.

Mr A made the initial payment of £4,600 on 2 November 2022, but around a week later he was told by X that this account had now closed, so he needed to recall the payment through his bank, Monzo. He contacted Monzo, and after some back and forth they raised a claim to the recipient bank that old account details had been used but told Mr A he would not get a response for around 20 days. As X still needed the deposit before they could send the car, Mr A transferred another £4,600 on 14 November 2022.

When Mr A did not receive the car a week later, and eventually X stopped responding to him, he realised he had been the victim of a scam. He reached out to a representative who raised a complaint on his behalf. As a result, Monzo got in touch with Mr A to ask him some more questions, but he did not respond to these. Based on what Monzo had seen, they did not agree a refund was due in the circumstances.

Mr A referred the complaint to our service and our investigator looked into it. They assessed the transactions under the Contingent Reimbursement Model ("CRM") Code. In doing so, they did not agree that Monzo had met their obligations under the code. This is because they felt an effective warning should have been provided but they did not agree Monzo had done so. They also felt Mr A had a reasonable basis to believe he was purchasing a legitimate vehicle from a legitimate business, as X had cloned a legitimate company and the amount Mr A paid was generally in line with what you would expect to pay for the genuine vehicle. So, the Investigator recommended a full refund, plus 8% simple interest from when the claim was declined.

Mr A responded agreeing with the findings, however Monzo did not. They felt the warning they had provided was good enough, even though they did not think one was needed in the circumstances. And they did not think finding a car leasing company on social media was legitimate and pointed out Mr A could have used a trusted website instead.

As an informal agreement has not been reached, the complaint has been passed to me for a final decision.

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.

Having done so, I agree with the Investigator for largely the same reasons, and I uphold this complaint in full. I'll explain why in more detail.

I'm satisfied Mr A has been the victim of a car purchase scam, where the scammer has essentially cloned a legitimate company and I'm sorry he has had to go through this experience. What's left to decide is if Monzo should have done more to protect him against financial harm.

As has already been explained, the transactions in question fall under the CRM Code, which provides additional protection to victims of Authorised Push Payment ("APP") fraud. While Monzo is not a signatory to the code, it has agreed to abide by the principles of it. The starting point in law is that Mr A is responsible for any payments he's authorised himself. But the CRM Code requires a firm to reimburse victims of APP scams that fall under its provisions, unless a firm can demonstrate that one of the exceptions to reimbursement apply. In this case, Monzo says that Mr A ignored an effective warning, though it doesn't think it was required to provide one, and he lacked a reasonable basis for believing that he was buying a legitimate car from a legitimate seller.

I've first considered Monzo's obligations under the code. SF1(1) of the code says: "*Firms should take appropriate action to identify Customers and payment authorisations that run a higher risk of being associated with an APP scam.*" It goes on to say that where a bank identifies a scam risk, it should provide an effective warning.

I've considered whether I think Monzo should reasonably have provided an effective warning, and having reviewed the payments, I think they should have done. These were relatively high value payments at just under £5,000 each, and while Mr A had made a few other payments of between £1,000 and £3,000 in the months leading up to the scam, I still think the payments themselves ran a higher risk of being associated with a scam. I do agree that these did not warrant a manual intervention from a member of staff prior to them being processed, but I do think an effective warning was a proportionate response to the risk posed.

Monzo have said that they did provide an effective warning that was relevant to Mr A's scam, and I've reviewed this. Having done so, I can see this warning recommended Mr A stop with the payment if he'd been asked to make an unexpected payment, an offer sounded too good to be true, he'd been told to ignore warnings or if he had not double-checked who he was paying. On balance, I think this was too general a warning and did not provide enough detail or explain how Mr A could protect himself from the scam. So, I don't agree Monzo has met their obligation under the CRM Code. Because of this, I think reimbursement is due to Mr A.

Monzo has said that an exception to full reimbursement applies as Mr A did not have a reasonable basis to believe he was buying a legitimate car from a legitimate seller, and they've specifically mentioned the platform Mr A used to find the company was not secure.

I accept that locating a company on a social media platform is not typically the most secure route, but I don't think it inherently means any sale initiated through social media is a scam. A legitimate car sales company that had been running since 2014 had been cloned, and a fake website had also been created, so I think this would have been believable in the circumstances. I also note that the amounts Mr A had been asked to pay were generally within a reasonable margin of comparable genuine leases, so I don't think the offer itself was too good to be true.

I've also considered that the cloned company was in Sheffield and a reasonable distance

from where Mr A was, so it made sense why he was unable to view the car beforehand. And when Mr A sent the two payments, each time to an account name that appeared to be associated with the business, he received confirmation of payee alerts, so I think this would have added to the belief the sale was legitimate. Finally, Mr A was sent terms and conditions, an invoice and a finance contract which appear to be copies of legitimate documents, or at the very least are high quality fakes. Considering all of this, I do think Mr A had a reasonable basis to believe he was legitimately purchasing a vehicle from a genuine seller. So, I do not think an exception to full reimbursement applies in this case.

Putting things right

I therefore uphold this complaint in full and Monzo should not fully reimburse Mr A with the £9,200 he lost to the scam. They should also add 8% simple interest from the date they declined the claim to the date of settlement. They can deduct income tax from the interest if required but should give Mr A a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

I uphold Mr A's complaint against Monzo Bank Ltd. Monzo Bank Ltd should now pay the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 23 July 2024.

Rebecca Norris
Ombudsman