

The complaint

Mrs R complains that Monzo Bank Ltd did not refund the £3,025 she lost to a scam.

What happened

Mrs R was looking to purchase an automatic car and found a suitable one on an online marketplace. After speaking with the company selling the vehicle, they agreed a total sale price of £3,025 which Mrs R paid from her Monzo account via a faster payment.

When the car was not delivered, Mrs R grew suspicious and contacted Monzo to raise a scam claim. Monzo got in touch with the beneficiary bank who eventually confirmed there were no funds left in the beneficiary account to recover. In addition, Monzo said that Mrs R had not carried out sufficient due diligence before making the payment, so they would not refund her internally. However, they did award her £85 compensation for the delays in responding to her scam claim, and as the complaint had been duplicated, an additional £50 was awarded in error.

Mrs R was unhappy with the response and referred the complaint to our service. Our Investigator looked into it and reviewed the payment under the Lending Standards Board's Contingent Reimbursement Model (CRM) Code. This is a voluntary Code and while Monzo is not a signatory to it, it has agreed to abide by the principles of it. Having done so, they felt neither party met their obligations under the code as Monzo did not provide an effective warning for the payment, and Mrs R did not have a reasonable basis to believe she was purchasing a legitimate car from a legitimate supplier. So, they recommend a refund of 50% of the £3,025, along with 8% simple interest from the date of the declined scam claim.

Mrs R accepted the findings, however Monzo did not agree it needed to provide an effective warning in the circumstances. In summary, it said the payment was not suspicious or unusual and it should not be expected to intervene in every payment a consumer makes.

As an informal agreement could not be 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 part.

Although the starting position in law is that Mrs R is responsible for transactions that she has authorised herself, Monzo's agreement to abide by the principles of the CRM Code means that it should only decline reimbursement if it can show that one of the exceptions set out in the CRM Code applies and it met its obligations under the code. In this case, I think that Monzo can rely on one of those exceptions – that Mrs R lacked a reasonable basis for believing that the investment was legitimate. But I don't think Monzo met its obligations

under the code. I'll explain why in more detail.

I'll firstly consider Mrs R's obligations under the code and whether she had a reasonable basis to believe she was paying for legitimate goods from a legitimate supplier. I note she has already accepted the finding that she did not, so I won't go into this again in detail here. In summary, I agree she did not have a reasonable basis of belief in the circumstances. This is because the price of the vehicle was significantly lower than the market value, she had not seen the car in person and had not seen documents verifying who the owner of the vehicle was, and despite asking for a video evidencing the scammer had possession of the vehicle, she sent the payment without receiving one. So, I think a reduction in the redress of 50% is reasonable in the circumstances.

I've gone on to consider Monzo's actions and if they have met their 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.

Monzo do not think the payment of £3,025 was unusual or suspicious, as it was going to a business account and there was confirmation that the payee's name matched the one Mrs R input for the transaction. And it doesn't think it should be expected to intervene in every transaction. I do agree that it would not be reasonable to expect it to intervene in every transaction. However, I do think it is reasonable that where a payment poses a suspected APP risk, it should provide an effective warning as set out in the code.

Mrs R generally used her account for small transactions so the payment in question was significantly larger than other payments made from the account. While I accept that consumers do sometimes make one-off payments, I think the value of the payment in general, when compared with her normally low value transactions meant a warning was reasonable in the circumstances. I don't think the fact the payment was going to a business account means there was no APP scam risk, especially considering that Mrs R was the victim of a scam in this incident.

It should be noted that I don't think staff intervention was needed here, and an effective warning can be provided as part of an automated process prior to the payment being confirmed. However, no warning was provided for this transaction, and I think Monzo should have provided one as per the definition in the CRM Code. As it did not meet its obligations under the code, reimbursement is due. However, as explained above, I think a reduction in the redress of 50% is reasonable.

I've reviewed whether Monzo could have done more to try and recover the funds for Mrs R once she made it aware of the scam. However, I can see Monzo contacted the beneficiary bank quickly after the scam claim was raised. Unfortunately, none of her funds were remaining in the beneficiary account at that time, so none could be recovered. I therefore think Monzo took appropriate action in the circumstances. I've also considered the compensation paid, totalling £135, for the delays Mrs R experienced. On balance, this is in line with what I would have recommended in the circumstances, so I agree this is fair.

Putting things right

Monzo should reimburse Mrs R with the £3,025 she lost to the scam but can reduce this by 50% to account for her contribution to the loss. This comes to £1,512.50. It should also add 8% simple interest from the date of the declined claim to the date of settlement. Monzo can deduct income tax from the interest if necessary, but it should give Mrs R a tax deduction certificate if she asks for one.

My final decision

I uphold Mrs R's complaint in part and recommend Monzo Bank Ltd pay the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 11 July 2024.

Rebecca Norris
Ombudsman