

The complaint

Mr H complains that Monzo Bank Ltd ('Monzo') won't refund the money he lost when he fell victim to a scam.

What happened

Mr H says that he was actively looking for a motorhome and saw an advert on an online marketplace. He was interested in the motorhome and communicated with the seller via social media, messages and in a phone call. The seller was knowledgeable about the motorhome and asked Mr H to pay a deposit of £3,000 to her husband's account. She told Mr H that her husband wanted to sell the motorhome to a dealer who was prepared to pay a £5,000 holding deposit. After completing an HPI check, Mr H paid the holding deposit on 29 April 2023 and agreed to drive to the seller's address to collect the motorhome the following morning.

The following morning Mr H says he drove for four and a half hours to the seller's address but when he arrived there was no trace of the seller or the motorhome, and the seller didn't answer his calls. He recognised he was the victim of a scam and contacted Monzo to report what had happened.

Monzo isn't signed up to the Lending Standards Board's Contingent Reimbursement Model Code (CRM Code) but has agreed to consider complaints in line with it. Having done so, Monzo relied on an exclusion to reimbursement and said that Mr H didn't take enough steps to check who he was paying and what for. But Monzo said that it provided misleading information to Mr H when he submitted a claim and took too long to provide an answer. In recognition of its errors, Monzo paid Mr H £50 compensation. Finally, Monzo noted it had been unable to recover any of Mr H's funds.

Mr H didn't agree with Monzo's response and brought a complaint to this service. He wasn't happy with the outcome of his scam claim or the length of time Monzo took to provide it.

Monzo told this service that it could rely on an exception to reimbursement because social media isn't a legitimate selling platform, Mr H didn't view the motorhome, he didn't pay via a secure method and had no reason to believe he would receive the vehicle.

Our investigation so far

The investigator who considered this complaint recommended that it be upheld in full. She said Monzo couldn't fairly rely on an exception to reimbursement set out in the CRM Code.

Mr H agreed with the investigator's findings, but Monzo did not. It said it didn't need to provide an effective warning when the transaction was made as there was no obvious fraud risk.

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.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards;

codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

I've considered whether Monzo should have reimbursed Mr H under the provisions of the CRM Code and whether it ought to have done more to protect him from the possibility of financial harm from fraud.

There's no dispute here that Mr H was tricked into making the payment and is an innocent victim. But this isn't enough for him to receive a refund of the money under the CRM Code. Under the CRM Code, a bank may choose not to reimburse a customer if it can establish that:

- The customer made payments without having 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.
- The customer ignored an effective warning by failing to take appropriate steps in response to that warning.

There are further exceptions outlined in the CRM Code that do not apply to this case.

It is for Monzo to establish that it can rely on one of the exceptions to reimbursement set out in the CRM Code. I'm satisfied that Monzo has not shown Mr H didn't have a reasonable basis for belief when he made the payment and will explain why.

Mr H has explained that he had been looking for a campervan for a while and had been to some showrooms. He has provided adverts for other campervans being offered for sale at similar prices and says he didn't consider the price was too good to be true. The advertised price for the motorhome was £22,495 and Mr H only agreed to pay a holding deposit of £3,000. This is a small fraction of the overall cost, and he was given a compelling reason to pay it. I don't consider Mr H acted unreasonably in paying this amount to ensure the motorhome wasn't sold to another buyer before he had the opportunity to see it the following morning.

Mr H had previously owned a campervan and asked the seller questions that he felt only the owner would be able to answer. He was satisfied with the answers given, which gave him reassurance that he was communicating with a genuine seller. Mr H also got an HPI check. Whilst this doesn't go far enough to prove ownership, I'm satisfied Mr H did what he thought was appropriate to protect himself.

Monzo has suggested that Mr H should have chosen a different payment method. Mr H has explained that he wasn't set up to pay via the method recommended by the marketplace and the seller said that she wasn't either. And whilst it's advisable to view a vehicle before purchasing it, I'm mindful of the fact the seller lived a long way away and, as I have said above, Mr H was paying a small deposit rather than the full purchase price.

I also don't consider that the warnings provided to Mr H at the time he set up the new payee and made the payment have an impact on his reasonable basis for belief. They were very general scam warnings so I can understand why they didn't resonate with Mr H.

It is important to note that there is no standard of care or specific responsibilities placed on customers via the CRM Code, and, in any event, it does not bind customers. This is something the Lending Standard Board pointed out in its 2022 Review of adherence to the Contingent Reimbursement Model Code. The fact Mr H could have completed further checks doesn't mean it's fair to conclude that he didn't have a reasonable basis for believing he was paying a legitimate company for genuine goods.

It's debateable whether Monzo ought reasonably to have recognised a scam risk when the transaction was made and provided an effective warning. I say this because Monzo only needs to provide such a warning when it identifies a scam risk. In this case, the transaction

was relatively low in value and Mr H had made a faster payment of £9,750 in the six months before the scam.

I'd reach the same outcome whether I conclude Monzo ought to have provided a warning or not though. If Monzo didn't need to provide a warning, and can't rely on the reasonable basis for belief exception, Mr H is entitled to a full refund under the CRM Code. If a warning was required, I'm satisfied the generalised scam warnings provided weren't effective as they weren't specific and lacked impact - meaning that Mr H should receive a full refund.

I've seen evidence to demonstrate that Monzo attempted to recover Mr H's funds after he reported the scam. The receiving bank confirmed that no funds remained. This is often the case, as scammers often move money on quickly. I can't reasonably say Monzo should have done anything more.

I've gone on to consider the service provided by Monzo when Mr H reported the scam. Mr H first contacted Monzo on 30 April 2023. He used Monzo's chat function to enquire about the progress of his claim on multiple occasions. Some of the updates he received weren't helpful and others were incorrect, although errors were put right quickly. Monzo advised Mr H of its response to his claim on 22 June 2023.

The CRM Code says (R3(1)):

"Firms should make the decision as to whether or not to reimburse a Customer without undue delay, and in any event no later than 15 Business days after the day on which the Customer reported the APP scam."

(a) In exceptional cases, that period can be extended provided the Firm informs the Customer of the delay and the reasons for it, and the date by which the decision will be made.

(b) The date in (a) should not be more than 35 Business days after the day on which the Customer reported becoming the victim of an APP scam."

Monzo failed to meet these timescales. Mr H's case wasn't complex, and he ought reasonably to have received a response from Monzo in 15 business days. The result was that Mr H had to keep getting in touch with Monzo and suffer the frustration of not knowing what was happening with his claim. Monzo has recognised its errors and paid £50 compensation to reflect the inconvenience caused. In doing so, I consider Monzo has acted reasonably.

Overall, I'm satisfied that Monzo hasn't acted fairly and should reimburse Mr H as set out below.

My final decision

For the reasons stated I uphold this complaint and require Monzo Bank Ltd to:

- Pay Mr H £3,000; and
- Pay interest on the above amount at the rate of 8% simple per year from the date of its decision to decline Mr H's claim to the date of settlement.

If Monzo Bank Ltd is legally required to deduct tax from the interest it should send Mr H a tax deduction certificate so that he can claim it back from HMRC if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 15 October 2024.

Jay Hadfield
Ombudsman