

The complaint

Mr G complains that Monzo Bank Ltd won't refund the money he lost as the result of an Authorised Push Payment ('APP') scam.

What happened

The circumstances which led to this complaint are well known to both parties, so I won't repeat them all here. But in summary, I understand them to be as follows.

Mr G saw a phone advertised on a well-known online marketplace, priced at £720, that he was interested in buying. Mr G has said he didn't have the budget to pay this much, so offered the seller £500, which was accepted.

Mr G has said he believed the phone was genuine as the seller sent him identification and provided personal details such as their address and bank details, as well as providing photos and an invoice for the phone.

Believing everything to be genuine, on 7 September 2023, Mr G sent two payments to the seller, from his Monzo account, totalling £500. But unfortunately, Mr G was interacting with a fraudster using a fake listing and had been duped. Mr G realised he'd been scammed when he didn't receive the phone and the seller stopped responding to messages and blocked him on the marketplace.

Mr G raised the matter with Monzo. Monzo is not a signatory to the Lending Standards Board's Contingent Reimbursement Model (the CRM Code) but has agreed to adhere to the provisions of it. The CRM code requires customers, who have been the victim of APP scams, to be reimbursed in all but a limited number of circumstances.

Monzo investigated Mr G's fraud claim and it issued its final response on 18 June 2024 not upholding it. In summary this was because it didn't think it had made any error. Monzo tried to recover the money Mr G had lost from the beneficiary bank, but was only able to recover £0.01, which it returned to Mr G.

Unhappy with Monzo's response, Mr G brought his complaint to our service. Following the case being brought to this service, Monzo made an offer to Mr G for £25, in recognition of him needing to chase it for an outcome to his complaint. Mr G didn't accept this offer.

One of our Investigator's looked into the complaint. It was our Investigator's view that, when considering the CRM code, Monzo was not liable to refund Mr G the money he had sent to the fraudster. This was because he thought there was enough going on for Mr G to have had concerns about the payments he was making.

But our Investigator thought it would be fair and reasonable for Monzo to increase its offer of compensation to Mr G to £50, in recognition of how long he had to wait for Monzo's complaint response and because our Investigator thought Monzo's communication could have been clearer.

Monzo agreed with our Investigator's view, but Mr G didn't agree. As agreement couldn't 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.

I'm sorry to hear of what's happened to Mr G, and I can understand entirely why he feels so strongly that his money should be returned to him. I don't doubt that he has lost money and hasn't received what he was expecting. But I don't find that Monzo has acted unfairly in declining Mr G's claim under the principles of the CRM Code and deciding not to refund his loss. I'll explain why.

Mr G authorised these payments. Under the Payment Services Regulations 2017 and the terms of his account, he is presumed liable for the loss in the first instance. But as Mr G was scammed into making these payments, I've considered whether Monzo should have reimbursed him 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.

Under the CRM code, a bank does not have to refund 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.

There are further exceptions, but they do not apply to this case.

I appreciate that the scammer used dishonest tactics to persuade Mr G. But in the circumstances, I don't think he had a reasonable basis for believing the payment was for genuine 'goods' or that the person with whom he transacted was legitimate. I've outlined the main reasons why I thought Mr G ought to have been concerned:

- The phone was advertised for £720, which from what I've seen would be around the price one would reasonably expect to pay at the time for a phone of this make/model/condition. But I think the way the seller instantly agreed to a reduction of around 30%, without any hesitation, ought to have given some cause for concern. Paying for something without seeing it, at such a discounted price was always going to be a risk. Although there will, of course, be situations where people want to sell things at heavily discounted prices, it is questionable why such a reduction would be agreed for an item that is being marketed as in excellent condition, when presumably the seller would want to achieve the best price possible for the item that they are selling.
- I accept that Mr G didn't proceed with a complete disregard for risk. But I think he ought to have been concerned that the fraudster pushed back on what were seemingly Mr G's attempts to reassure himself. Mr G asked for a video of the phone, but the fraudster did not provide one. Alongside this Mr G asked to pay half of the money upfront, with the remainder on delivery – which the fraudster declined. I think these reasonably ought to have also caused some concern.
- From what I've seen I think Mr G also had his own doubts, which is evident with Mr G telling the seller he was "a bit afraid" about the item being posted (rather than being collected in person). Adding that he was "nervous" as this was the first time he was buying something this way. But ultimately Mr G has taken what he was told by the

fraudster at face value and proceeded despite the doubts that he had.

- Mr G also recognised that the seller's location had also seemingly changed to a different location to where the advert was initially placed. The fraudster did provide a copy of identification, but importantly here at the point Mr G made the payment Monzo provided Mr G with a warning to say that the account name details he'd entered didn't match the name on the account he was paying. I think this, coupled with the change of location, ought to have reasonably given Mr G some concern that there was a possibility that the payment was not going where he intended.

These individual factors in isolation may not have been enough to have alerted Mr G to the risk. But considering them altogether, I think there were enough red flags that ought to have prompted him to take further steps to verify the seller. Based on what he knew, I'm not persuaded it was reasonable to believe he was paying a legitimate seller.

I've also considered if Monzo met its obligations when Mr G raised his fraud claim. Once Mr G reported the scam Monzo contacted the beneficiary bank. But it was sadly only able to recover a nominal amount. Following Monzo returning this recovered amount, of £0.01, it has identified that a further £0.01 was recovered – which I would expect it to now return to Mr G. Unfortunately, it is not uncommon for scammers to move funds on very quickly after they had been paid and that sadly seems to have been the case here.

I've also thought about whether Monzo should reasonably have done more to prevent this scam. If a bank identifies an APP scam risk, in line with the CRM code, we'd expect it to take reasonable steps to provide its customer with an 'effective warning'. But I'm not persuaded these payments met the usual characteristics, or 'bar' for when we'd reasonably expect such a warning to be given. I say this as I don't think the value of the payments would have appeared as particularly unusual or concerning, in comparison to how Mr G typically ran his account.

I'm mindful that Monzo found it could have dealt with Mr G's claim in a timelier manner and that it could have provided better customer service. Monzo has agreed to our Investigator's view that it should pay £50 in recognition of this. I think this is fair and reasonable in the circumstances. While I think the service Monzo provided fell short of what could reasonably have been expected, we also mustn't lose sight that the main perpetrators of what happened here are the fraudsters who committed this crime.

Putting things right

For the reasons explained above, I uphold this complaint in part and now ask Monzo Bank Ltd to;

- Pay Mr G £50.
- Refund the additional £0.01 it was able to recover from the beneficiary account.

I want to stress that I do have a great deal of sympathy for the situation that Mr G finds himself in and am sorry he has lost money in these circumstances. But, for the reasons I've explained, I'm not persuaded that Monzo is required to refund him under the CRM Code, nor that the bank was at fault in making the payments Mr G had instructed it to make or for any other reason. So it wouldn't be fair or reasonable for me to ask it to refund Mr G the money he has sadly lost.

My final decision

For the reasons given above, my final decision is that I uphold this complaint in part.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 19 November 2024.

Stephen Wise
Ombudsman