

The complaint

Mr M complains that Monzo Bank Ltd won't refund the money he lost to a scam.

What happened

Mr M was looking to buy a games console from an online marketplace. He found a seller and sent them £100 to purchase one (I understand he may also have agreed to exchange his old console) on 7 January 2025. Unfortunately, the seller was a scammer. They either blocked Mr M, or deactivated their account, when he tried to follow up with them after realising the tracking information provided wasn't working and the address on the supposed delivery receipt was wrong.

On 8 January 2025, Mr M reported the scam to Monzo. It didn't agree to refund him. It said his loss was the same as the excess it can apply to scam claims under the Faster Payments Scheme (FPS) reimbursement rules. Unhappy with this response, Mr M referred the matter to our service. He said he disagreed with the excess Monzo had applied, and it should also have considered his claim under "section 75".

Our investigator didn't uphold Mr M's complaint. She thought Monzo had acted fairly in applying the excess. She didn't think it could reasonably have prevented the scam from occurring, and was satisfied it had done what it could to attempt recovery. She also explained the provision to claim under section 75 didn't apply here as it only covers payments funded by a credit facility.

Mr M has appealed the investigator's outcome. In summary he says Monzo's policy only says it *may* apply an excess, not that it definitely will. He says it's unfair to apply the excess as this is his first claim – and because his circumstances rendered him susceptible to the scam.

Mr M also raised concerns about the Payment Service Provider (PSP) who received his payment. Our investigator explained he would need to complain to them separately if he was unhappy with their actions.

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've decided not to uphold it. I appreciate this will be disappointing for Mr M. But in looking at Monzo's role in what happened, I'm persuaded it has handled this matter fairly; it was ultimately the actions of the scammer, rather than Monzo, which caused Mr M to lose out. I've explained how I've reached my conclusions below.

Under the relevant regulations (the Payment Services Regulations 2017), PSPs have a duty to act on authorised payment instructions without undue delay. As Mr M authorised this payment, the starting position is therefore that he is liable for it. But as he did so due to falling victim to an Authorised Push Payment (APP) scam, there are some further considerations which affect whether it might be fair and reasonable to hold Monzo liable for his loss.

It's accepted that Mr M's payment is covered by the FPS reimbursement rules. So, I've started by considering whether Monzo has fairly considered his claim under these rules – as they require UK-based PSPs such as Monzo to refund consumers who fall victim to APP scams in most circumstances.

The rules allow PSPs to apply an optional excess of £100 per FPS APP claim. Monzo's website also explains it may not pay the first £100 of [a customer's] claim. It has declined to refund Mr M because the size of his payment is the same as the excess.

I appreciate Mr M's point that Monzo isn't *required* to apply the excess, and that it hasn't said it will always do so. However, its website makes clear that it will decide whether to do so based on its customers' personal circumstances. And that broadly reflects the position under the rules. PSPs aren't allowed to apply an excess if the customer was a "Vulnerable Consumer" when they made the scam payment, *and* their vulnerability affected their ability to protect themselves from the scam.

Under the rules, vulnerability *"Has the same meaning as when the term is used by the FCA in its Guidance for firms on the fair treatment of vulnerable customers, namely that a vulnerable consumer is someone who, due to their personal circumstances, is especially susceptible to harm – particularly when a firm is not acting with appropriate levels of care"*.

Mr M has pointed out this is his first scam claim. I don't think that means it was unfair for Monzo to apply the excess. In my view, given what the rules say as well as Monzo's public stance, whether the excess has been applied fairly comes down to whether Mr M was vulnerable in a way that affected his ability to protect himself from the scam.

Mr M says he was susceptible to this scam due to his *"personal circumstances of... wanting this item as a gift and out of excitement"*. I'm not persuaded these circumstances made him *especially* susceptible to harm. For example, I can't see how he would have been better able to protect himself if buying the item for personal use. Similarly, I'm not persuaded being excited amounts to being particularly susceptible to harm; I think someone who is excited can still reasonably take steps to try to protect themselves.

Mr M also says the fact the scammer provided their address, (what appeared to be) proof of postage and tracking details made him more susceptible to the scam. But these are features of the scam that made it more convincing rather than personal circumstances that made him more susceptible to it. The fact he weighed up these factors in deciding to proceed indicates his circumstances didn't prevent him from taking steps to protect himself.

Overall, I'm not persuaded Mr M was vulnerable in a way that materially affected his ability to protect himself from the scam. I'm therefore satisfied it's fair for Monzo to apply the excess to his claim. As his payment matches the excess limit, I don't think Monzo can fairly be expected to refund Mr M under the terms of the FPS reimbursement rules.

I have considered if there are any other reasons why Monzo should refund Mr M's loss. He has mentioned claiming under "section 75". However, this refers to a provision of the Consumer Credit Act 1974, and so is only applicable to payments made using a credit facility. As the scam payment was funded by money Mr M held in his Monzo account, section 75 isn't a relevant consideration here.

I've also thought about whether Monzo should reasonably have been able to prevent the scam from occurring. These are some situations where I'd reasonably expect a PSP to make further enquiries about a payment before deciding whether to process it – such as where there are grounds to suspect it presented a fraud risk. If a PSP failed to respond proportionately to such a risk, and doing so would have prevented the consumer from incurring a fraudulent loss, it may be fair to hold it liable.

In this case, I don't think the scam payment would reasonably have looked particularly suspicious to Monzo. It was a one-off payment that wasn't for an unusually large amount compared to Mr M's normal spending and didn't clear his account balance. I therefore consider it reasonable that Monzo simply processed the payment in line with Mr M's authorised instructions without completing further checks.

I've also seen that Monzo promptly attempted to recover the funds when Mr M reported the scam, but unfortunately it didn't receive a response from the PSP who the payment was sent to. So, I don't think Monzo missed an opportunity to recover Mr M's loss either.

Overall, I don't think Monzo made any failings have caused or contributed to Mr M's loss – including its consideration of his fraud claim under the FPS reimbursement rules. I therefore don't think it would be fair and reasonable to direct Monzo to refund him.

My final decision

For the reasons given above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 11 September 2025.

Rachel Loughlin
Ombudsman