DRN-5468353

Financial Ombudsman Service

The complaint

Mr C is unhappy that Monzo Bank Ltd ("Monzo") won't reimburse him the money he sent to a third-party seller to purchase a vaporiser which he later discovered was a fake.

What happened

I'm not going to cover all the points raised in detail. The view of 28 February 2025 covered the details of Mr C's testimony. But briefly in November 2024, Mr C was contacted by a seller on a social media forum group offering to sell Mr C a vaporiser. The seller said it was an unwanted gift. Mr C met the seller and checked the item was working before paying the seller.

Two weeks later Mr C experience some issues with the product and contacted the seller to see if he had any warranty information. Mr C then contacted the manufacturer who informed him the product was a fake. Ultimately the seller stopped communicating with Mr C.

Mr C complained to Monzo that he'd been the victim of a scam. Monzo said this was a civil dispute between Mr C and the seller. Monzo paid Mr C £25 in compensation as it hadn't acknowledged his recent messages on its in-app chat.

Mr C bought his complaint to this service. Our investigator did not uphold the complaint. She said the matter was a civil dispute which isn't covered by the new Reimbursement Rules. She said there was no evidence to suggest at the time of selling the device the seller knew that this wasn't a genuine product.

Mr C remained unhappy. He said the manufacturer told him it was a counterfeit device, and he was lucky not to have it explode in his face. He did try to contact the seller, but the seller stopped communicating with him and blocked him.

As the complaint could not be resolved informally it has been passed to me for a 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've come to the same outcome as the investigator for broadly the same reasons.

I'm sorry to hear about the situation Mr C has been left in. He has paid out money for a product which now appears to be a fake and potentially put him in a dangerous situation.

It's clear that Mr C feels strongly that the seller tricked him. From his perspective, the seller sold him a fake vaporiser. But I don't have the power to decide any dispute between Mr C and the seller. My role is limited to looking at whether Monzo has treated Mr C fairly.

When considering what is fair and reasonable, I'm also required to take into account: relevant law and regulations; regulatory rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the relevant time.

Where I can't know for certain what has or would have happened, I need to weigh up the evidence available and make my decision on the balance of probabilities – in other words what I think is more likely than not to have happened in the circumstances.

In broad terms, the starting position in law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. However, where the customer made the payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for the bank to reimburse the customer even though they authorised the payment.

The Financial Services and Markets Act 2023 required the Payment Systems Regulator (PSR) to introduce a reimbursement requirement for payments made over the Faster Payments Scheme as a result of fraud or dishonesty. Consequently in 2024, the PSR required the Faster Payments scheme operator (PayUK) to change the Faster Payment Rules to require the firms that operate over Faster Payments to reimburse their customers sums paid as a result of APP (authorised push payment) scams (herein after referred to as the Reimbursement Rules) in certain circumstances. These Rules came into force on 7 October 2024.

In this case, I've first considered whether the Reimbursement Rules and associated guidance issued by the PSR are relevant to the payment in dispute. Where they are relevant, I must have regard to the rules and guidance, as well as considering what is fair and reasonable in all the circumstances of the complaint.

The Reimbursement Rules[1] set out the requirements for a payment to be covered and sets out the features and definition of an APP scam. The Rules specifically define an APP scam as:

"Where a person uses a fraudulent or dishonest act or course of conduct to manipulate, deceive or persuade a Consumer into transferring funds from the Consumer's Relevant account to a Relevant account not controlled by the Consumer, where:

• The recipient is not who the Consumer intended to pay, or
• The payment is not for the purpose the Consumer intended"

And the Rules specifically outline that private civil disputes are not covered. The term private civil dispute is defined in the Rules as:

"A dispute between a Consumer and payee which is a private matter between them for resolution in the civil courts, rather than involving criminal fraud or dishonesty."
In its published policy statement PS23/3, the Payment Systems Regulator gave further guidance:

[1] https://www.wearepay.uk/wp-content/uploads/2024/09/FPS-Reimbursement-Rules-Schedule-4-v3.0.pdf at paragraphs 3.8-3.10

“2.6 Civil disputes do not meet our definition of an APP fraud as the customer has not been deceived […] The law protects consumer rights when purchasing goods and services, including through the Consumer Rights Act.”

2.5 provides an example of when this might apply:
“…such as where a customer has paid a legitimate supplier for goods or services but has not received them, they are defective in some way, or the customer is otherwise dissatisfied with the supplier.”

Turning to the definition of an APP scam, Mr C paid the seller and this was the person he intending to pay. So, for Mr C to have been the victim of an APP scam, I would need to be satisfied that the seller was acting fraudulently or dishonestly to deceive Mr C about the very purpose for which his payment had been procured. Here the purpose of the payment was to purchase a vaporiser Mr C had been offered on a social media forum and that he’d inspected in person before sending the payment. He said it was a specific model of vaporiser.

A misrepresentation about the product may have taken place but it’s not possible to say this is more likely than not now. Mr C no longer has the messages detailing what the seller originally offered and what was agreed. I haven’t seen how the product was originally described by the seller and there’s limited detail about the product’s condition. It appears to have been sold on the basis of an unwanted gift. Mr C has provided a screen shot of an email from the manufacturer confirming the product Mr C sent it for repair was a fake.

But it’s not enough to now know the product was a fake. I would need to be satisfied that the seller knew the vaporiser was a fake when he sold it and didn’t disclose that to Mr C.

Even if I were to conclude Mr C was led to believe he was buying the genuine product here, there is no evidence that the seller was acting fraudulently with an intent to deceive Mr C. I can’t fairly or reasonably say the seller was not legitimate and had set out to deceive Mr C.

I’ve not seen anything that makes me think the person selling the vaporiser knew it was fake. I can’t exclude the possibility that the seller entered the agreement in good faith, believing the product he was selling was genuine. The evidence doesn’t lead me to conclude it’s more likely (than these alternative possibilities) that the seller knew from the outset the product was a fake.

Alongside this, I’m also mindful that there are some other factors, in the circumstances of this case, that don’t carry the typical hallmarks of a scam or a trader setting out with an intent to defraud. Mr C met the seller in person to inspect the product before sending any money. The payee’s name matched that of the profile name on the social media site. The seller, at least for a time, was still contactable after Mr C had made the payment.

These factors are not typically the case with fraudsters, who more often than not operate under a different name, and are not able to be contacted after they have taken a victim’s money. Whilst I appreciate the seller later blocked Mr C, looking at the communication between the two parties, it doesn’t seem likely the private individual was operating a scam. It’s also unusual for a scammer to meet a victim to allow them to view a product before taking their money.

Overall, and on balance, I don’t find this situation meets the definition of an APP scam as set out in the Reimbursement Rules. As Monzo didn’t need to consider this as an APP scam then it didn’t need to go on to contact the recipient account provider. It didn’t need to intervene with the payment either, and even if it had I don’t think it would have made a

difference given that Mr C says he carried out checks before purchasing the vaporiser and had viewed it in person before making the payment.

Mr C has my sympathy, in that he hasn't received a genuine product. But overall, I don't think Monzo has treated Mr C unfairly when it made the decision not to reimburse Mr C. For the reasons I have explained, I'm satisfied Mr C isn't due a refund under the Reimbursement Rules nor can I see there are other grounds on which I could say that Monzo should, fairly and reasonably, bear the responsibility for Mr C's loss.

My final decision

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 C to accept or reject my decision before 14 November 2025.

Kathryn Milne
Ombudsman