DRN-5683344

The complaint

A company, which I'll refer to as T, complains that Monzo Bank Ltd ("Monzo") won't reimburse the funds it lost to a scam.

Mr L, who is a director of T, brings the complaint on T's behalf. As Mr L fell victim to the scam, for ease I have referred to him throughout this decision.

What happened

The background to this complaint is well known to both parties so I won't repeat it all in detail here. But in summary, I understand it to be as follows.

Mr L made an agreement with someone whom he's referred to as a known associate (for ease I'll refer to B throughout), to buy his business – this included tools, a website and a vehicle. Mr L explained it was agreed this amount would be paid via instalments.

Under this complaint, Mr L has raised two payments; one for £15,000 on 22 September 2023 to payee one and another of £8,000 on 6 January 2024 to payee two, which he's said were made in relation to the vehicle.

After the final payment of £8,000 was made, Mr L says B disappeared and stopped responding to his attempted calls and messages. Mr L says he saw B remained active on a social media platform which caused him suspicion. Following this, Mr L carried out a credit check on the vehicle and discovered he'd been sold a vehicle with outstanding finance. Mr L contacted the police and the provider of the vehicle finance. The vehicle was later repossessed.

On 30 May 2024, Mr L contacted Monzo to raise a fraud claim via its in-app chat for the money he lost for the vehicle, totalling £23,000.

Monzo is not a signatory of the Lending Standards Board's Contingent Reimbursement Model (the CRM Code) but has agreed to adhere to it. This means Monzo has made a commitment to reimburse customers who are victims of authorised push payment scams except in limited circumstances.

Monzo having looked into things, considered this to be a civil dispute – that it was a disagreement between Mr L and the person who received the money. Because of this, it said it was unable to refund the money lost.

Mr L brought the complaint to our service and one of our Investigators looked into it. She upheld Mr L's complaint. Having considered everything, she didn't agree with Monzo that the matter was a civil dispute and therefore, not caught by the principles of the CRM Code. She found Mr L had been scammed as he'd been sold a vehicle by a seller who knowingly still had finance on it – and as such didn't have the right to sell it to Mr L without the finance having been paid off. Therefore, our Investigator deemed this to be a scam and considered the payments Mr L made to be caught by the CRM Code.

Our Investigator then considered whether Mr L had a reasonable basis for believing that he was making legitimate payments for the purchase of a vehicle. In brief, she noted the price for the vehicle was reasonable for similar vehicles brought around the same time, that he'd been and inspected the vehicle before purchase and that he had a business relationship with the seller (B) and therefore, believed he could trust them.

So, she asked Monzo to refund the money lost (less any recovered funds) and to pay 8% interest from the date the claim was declined under the CRM Code until the date of settlement.

Monzo didn't agree. It maintains that it is not liable for the payments Mr L made under the CRM Code as this is a civil dispute. It reiterates that Mr L knew the beneficiary of the funds, that this is shown by their previous interactions and payments between their accounts. Monzo comments that as this is a civil dispute, Mr L has means to resolve the private civil disagreement via other means, such as the courts, and as such, the CRM Code outlines this as an exception to reimbursement.

As no agreement has been 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'm satisfied that:

- Under the terms of the CRM Code, Monzo should have refunded T the full amount it lost. And I am not persuaded any of the permitted exceptions to reimbursement apply in the circumstances of this case.

- In the circumstances Monzo should fairly and reasonably refund the money T lost.

- Monzo should pay 8% interest from the date it should have refunded T under the CRM Code up until the date of settlement.

I've firstly turned my attention to Monzo's representations that the payments Mr L made aren't covered under the CRM Code – as it deems this to be a civil matter.

Is it a scam or a civil dispute?

For the CRM Code to be relevant, Mr L would have to have been the victim of an APP scam, which is defined in the CRM Code as:

> *...a transfer of funds executed across Faster Payments…where:*
>
> *(i) The Customer intended to transfer funds to another person, but was instead deceived into transferring the funds to a different person; or*
>
> *(ii) The Customer transferred funds to another person for what they believed were legitimate purposes, but which were in fact fraudulent*

As Mr L intended to transfer the funds to B, I'm satisfied (i) is not relevant here. In order for the second provision to apply, I'd need to be reasonably satisfied from the evidence that B intended to deceive Mr L by acting fraudulently.

In the circumstances of this complaint, I find it more likely than not that B intended to deceive Mr L by acting fraudulently. I say this because, Mr L was sold a vehicle which on balance, I think B was more likely than not aware had outstanding finance owed on it.

From everything I've seen and been told, I note on becoming aware of the outstanding finance on the vehicle that Mr L contacted B over a messaging app to raise this and give B the opportunity to resolve this aspect, otherwise he would refer to the police. With this in mind, I don't think that there was a prior knowledge from Mr L of this matter or that it seems more likely than not that an agreement was made with the outstanding finance having been disclosed.

While I note what Monzo has said about Mr L knowing the beneficiary of the funds and previous interactions between Mr L and B, I'm not persuaded that this in and of itself means that Mr L cannot have fallen victim to a scam, simply because of knowing B.

Here, it seems more likely than not that B knowingly sold the vehicle - aware that it had outstanding finance on it. Therefore, B was not in a position to sell the vehicle to Mr L as B was not the legal owner of it.

On balance, I'm satisfied Mr L likely did fall victim to a scam and this claim is not the subject of a civil matter. Therefore, I think the CRM Code is a relevant consideration of Mr L's complaint.

Has Monzo fairly established an exception to reimbursement applies?

As I've already set out, Monzo is not a signatory of the Lending Standards Board's CRM Code but has agreed to adhere to it.

The starting position under the CRM Code is that Monzo ought to refund Mr L, unless it can establish an exception to reimbursement applies. Such exceptions to reimbursement include (as far as is relevant to this complaint) that Mr L:

- Made the payment without 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.

- Did not follow its own internal procedures for approval of payments, and those procedures would have been effective in preventing the APP scam;

Did Mr L have a reasonable basis for belief?

In this case, I don't think Monzo has fairly established that Mr L lacked a reasonable basis for believing that the person or business with whom it transacted was legitimate. I say this because;

- From my own research of the vehicle, the price Mr L agreed to pay for the vehicle was not too good to be true, as can often be the case in scams like this. From what I've seen, I agree with our Investigator, that the price appears reasonable for similar vehicles brought around the same time. So, I don't think this is a factor that ought to have caused Mr L concern or given him pause for thought that things might not have been as they appeared.

- From what I've seen and been told Mr L viewed the vehicle and took possession of the vehicle prior to sending the final instalment payment. I think it more likely than not that when Mr L took possession of the vehicle around December 2023, prior to making the final instalment payment in January 2024 that this would've fairly and reasonably given him some degree of assurance that all was as it should have been. I can see from a screenshot provided to Monzo by Mr L that the registered owner and keeper of the vehicle had been changed to the company name.

- I do note Mr L didn't carry out a HPI check on the vehicle prior to sending the two payments to B. I've thought carefully about this, but I think it's important to remember that when making an assessment of reasonable basis for belief under the CRM Code, that the customer's actions must be considered against what was happening at the time and that it ought not to be looked back on the scam with the benefit of hindsight. It would of course have been better for Mr L to have carried out a HPI check on the vehicle before making the payments, and with hindsight this may have caused him more concern. But the fact Mr L didn't do so here doesn't automatically mean that he acted unreasonably or that he lacked a reasonable basis for belief that the person he was transacting with was legitimate.

- I think what is somewhat key in this case is the surrounding circumstances. Here, Mr L and B worked in the same industry. They knew of each other and had even used each other's services – as Mr L has confirmed with Monzo that payments seen on the account were payments made to B for work he'd carried out for the company. I'm persuaded that here Mr L and B had built up a level of acquaintanceship and a level of trust with one another. I think this would have played a material factor in Mr L's basis for belief here.

- Mr L made the instalment payments to two different accounts. Mr L told Monzo he assumed payee one was B's partner's account and the final payment of £8,000 was paid to payee two – an account in B's name. While I think it's arguable, with the benefit of hindsight, that Mr L ought to have questioned the payee details he was given for the initial payments, I don't think this in and of itself means that he acted unreasonably. I say this because, within Mr L's and B's working industry, I'm not persuaded it would've been so unusual to make payments to different accounts. And again, I have to keep in mind that Mr L and B had developed a relationship within their working capacities. Further, Mr L's told us that a friend shared with him about B selling his business, and Mr L says he met B a number of times before paying him the instalments and that they had used B's services – subcontracted to him for work. So, I don't think it unreasonable that Mr L would've held a degree of trust in the information being given to him by B.

  Monzo within its submission, refers to a Confirmation of Payee (CoP) result – details don't match account. From what I've seen it appears this related to the payment made to payee two. I can see within the messages between Mr L and B that he asked B about this CoP result when making the payment. B replied to confirm the details were correct and shared the bank the account was held with. In the absence of any other obvious red flags at the time, I think it's understandable why Mr L moved passed this once B had replied and why it didn't cause him concern.

Overall, I'm persuaded Mr L had a reasonable basis for believing that the payees were the person he was expecting to pay; the payments were for genuine goods or services and the person with whom he transacted was legitimate.

Did Monzo meet the standards for firms under the CRM Code?

Monzo also has standards under the CRM Code it's expected to meet as a firm. Failure to do so in relation to a particular payment, or series of payments, could mean it's responsible for partially reimbursing its customer.

In this case, Monzo have said no additional warnings were displayed other than the CoP result – which showed the details don't match the account. As I've explained above, I can see Mr L shared this CoP result within the messages with B and enquired if all was correct before sending the payment. B replied to Mr L to say yes and confirmed the bank the account was held with. I've considered the CoP – details don't match result, but I'm not persuaded this would've been impactful in the specific circumstances of this case. I say this because the screenshot asked Mr L to double check who he was sending money to and cancel the payment if he thought someone might be trying to scam him. Here, Mr L sought to check with B and given the relationship between Mr L and B, I'm not persuaded that there were any obvious flags that ought to have caused Mr L concern that he might be at risk of being scammed.

Monzo has further told us that as it didn't detect the payments as high risk no warnings were warranted. As Monzo say no warnings were warranted for the payments Mr L made, I don't need to consider whether Mr L ignored an effective warning in this case.

To summarise, for the reasons I've set out above, I'm not satisfied Monzo has established an exception to reimbursement applies in this case.

Putting things right

To resolve this complaint Monzo should:

- Refund the two payments made as the result of this scam; and
- Pay 8% interest on that amount from the date the claim was declined to the date of the settlement.

My final decision

For the reasons I've explained, I uphold this complaint. Monzo Bank Ltd should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 7 August 2025.

Staci Rowland
Ombudsman