

The complaint

Miss G is unhappy that Monzo Bank Ltd won't refund the money she lost after falling victim to a scam.

What happened

On 22 January 2021, Miss G saw an advert selling a puppy on a popular pet classifieds website. Miss G said she contacted the seller via the website to express her interest. The seller then got in touch with Miss G on WhatsApp and asked if he could give her a call.

Miss G explains they had a lengthy conversation over the phone and the seller seemed friendly and knowledgeable. The seller told Miss G that the family dog recently had several puppies and that some had been given away to family members and he was selling the remaining dogs. Miss G said the seller also asked her questions about her suitability to take care of a puppy. Miss G said she was given all the information she needed.

After the call, Miss G was sent some pictures of the puppies for sale. Miss G chose the puppy that she wanted to purchase. The seller told Miss G that due to Covid-19, Miss G needed to pay a deposit to secure the puppy. The seller also told Miss G that she would have to pay vet bills. Miss G and the seller then agreed for her to pay a deposit of £350 via faster payment to avoid any fees via the website. They also agreed that Miss G would visit his home the following weekend.

The seller sent Miss G the bank details for the deposit and asked Miss G to let him know once the payment had been made. The account details were for a joint account belonging to the seller and his partner. Miss G was also sent a home address. Miss G made the payment and sent the seller confirmation of the payment made as requested. It was at this point the seller stopped responding to Miss G.

Miss G informed Monzo about the scam and told us that the bank took over two weeks to get back to her. Miss G also said Monzo delayed attempting to recover the funds.

Monzo considered whether it should refund Miss G for her loss but declined her claim. It didn't think Miss G had carried out the relevant checks before paying a deposit.

Monzo further explained that the website where the dog was advertised advises never to send money to pay for a pet or deposit online. It pointed out the website has a deposit service in place in order to protect customers from these types of scams.

Monzo said they contacted the receiving bank straight away and completed the review of Miss G's case within the expected timeframe. Unfortunately, no funds remained to be recovered.

Disappointed with the bank's position, Miss G brought her complaint to this service.

One of our Investigators looked into it and didn't think that Monzo had done anything wrong. The Investigator wasn't persuaded the bank could have done anything to prevent Miss G

becoming a victim of a scam. He didn't think Miss G had met her level of care. He thought there was a lack of evidence that Miss G was going to get the dog that had been promised.

Miss G didn't agree with the Investigator and wanted a second opinion. Miss G said she didn't feel supported by the bank and that the loss has impacted her mental health. As no agreement could be reached, the complaint was referred to me.

My further investigation

When I started to review the complaint, I had some further questions for Miss G around the deposit, price, and the breed of the puppy. I also wanted to understand the research Miss G had carried out prior to agreeing to purchase the dog. Miss G had mentioned having a lengthy telephone conversation with the seller prior to making the payment – so I wanted more detail about what was discussed and the purpose of the deposit.

Miss G had also mentioned she had previously been scammed, so I wanted to know more about this.

Miss G told us the puppy was a Boxer and being sold as a Pedigree. She was due to pay another £1,000 for the dog on top of the deposit. She explained that she didn't mind the puppy not being registered as a Pedigree as she had no intention of breeding it. She said from the photos it was clear that the puppy was a Pedigree boxer. Miss G went on to say that she had seen similar dogs advertised and had been searching for a puppy for some time on the same website. Mrs G said the price was in line with what she had seen. She explained that she went for this puppy as it was located only 40 minutes from her house, which was convenient as there were still travel restrictions as a result of the pandemic in place.

Miss G was told the deposit would hold the puppy and cover initial vet bills such as the immunisations and being microchipped. Mrs G found this plausible. She explains she was also sent videos and photos of the puppy.

Miss G explained that the previous scam that she had referred to took place eight years ago on a selling website. She said she sold an expensive item and the buyer claimed to have not received it.

The additional information provided by Miss G was shared with Monzo, however the bank continued to disagree that Miss G carried out the relevant checks for the following reasons:

- It felt that Miss G didn't do enough to verify that the seller was genuine
- It said being sent images of the puppy isn't clear evidence that the seller owns the animal
- It referred again to the pet classified adverts website and said the website explained the responsibilities for their customers on how to keep themselves safe and provided steps to take to protect themselves from falling victim to fraud.

Monzo said had Miss G followed the steps provided on the website, she wouldn't have fallen victim to this scam.

I issued my provisional decision on 30 March 2022.

In my provisional decision, I explained why I was minded to reach a different conclusion to the Investigator. I have reproduced the provisional decision in italics below:

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.

In broad terms, the starting position at 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. There's no dispute here that Miss G authorised the payment.

However, where a customer makes a 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.

When thinking about what is fair and reasonable in this case, I've considered whether Monzo should have reimbursed Miss G in line with the provisions of the CRM Code it has agreed to adhere to and whether it ought to have done more to protect Miss G from the possibility of financial harm from fraud.

There's no dispute here that Miss G was tricked into making the payment. She thought she would receive a puppy in exchange for her money and this wasn't the case. But this isn't enough, in and of itself, for Miss G to receive a refund of the money under the CRM Code. The Code places a level of care on Miss G too.

The CRM Code

Monzo has agreed to adhere to the provisions of the Lending Standards Board Contingent Reimbursement Model (the CRM Code) which requires firms to reimburse customers who have been the victims of Authorised Push Payment (APP) scams like this, in all but a limited number of circumstances.

It is for Monzo to establish that a customer failed to meet a requisite level of care under one or more of the listed exceptions set out in the CRM Code.

Those exceptions are:

Miss G ignored an "effective warning" in relation to the payment being made. Miss G made the payment without a reasonable basis for believing that: the payee was the person she was expecting to pay; the payment was for genuine goods or services; and/or the person or business with whom Miss G transacted was legitimate.

There are further exceptions within the CRM Code, but they do not apply in this case.

Taking into account all of the circumstances of this case, including the characteristics of the customer and the complexity of the scam, I am not persuaded the concerns Monzo has raised about the legitimacy of the transaction Miss G was making are enough to support its position that she failed to meet her requisite level of care under the CRM Code for the payment she made. It follows that I do not think Monzo has been able to establish that it may choose not to reimburse Miss G under the terms of the CRM Code.

Having thought about what both sides have said and provided, I consider Miss G had a reasonable basis for believing the payment she was making was for a genuine puppy and that the person she was transacting with was a legitimate seller. In reaching that conclusion,

I have thought carefully about what it is realistic to have expected Miss G to do when she was paying a deposit of £350.

Did Miss G have a reasonable basis for belief?

I have considered Monzo's arguments carefully, but I don't find them persuasive. I think Miss G took enough care with a relatively modest deposit of £350 to say she that she had a reasonable basis for believing she was buying a dog from a genuine seller. I say this because:

- Miss G had an in-depth conversation with the seller about the puppy over the phone. Miss G asked the seller why he was selling the puppies and she was told that the family dog recently had given birth. The seller further explained that some puppies had been given away to family members and he was having to sell the remaining puppies. This is not an uncommon situation, so I can understand why Miss G believed what she was being told, especially as she had found the seller on a very popular pet classifieds and information website.

- Miss G also said that she was told that the first puppy she was interested in purchasing had already been sold – which then led her to enquire about the second puppy. I don't think there was anything obviously untoward about the seller. From what Miss G has recalled of the interactions, the seller came across as a genuine person that took good care of the animals and was keen to ensure the dog was going to a good home based on the questions he'd asked Miss G. The seller was forthcoming with a name and address and he was willing for Miss G to make the arrangements to see the dog in its home environment with the mother. I think all of this information when taken together would have lulled Miss G into a false sense of security at the time she paid the deposit.

- Miss G says she was sent pictures and videos of the puppies that were for sale. I accept Monzo's point that anyone can locate pictures and images of a puppy and claim that it belongs to them, and that in itself, is no guarantee that a seller is legitimate. But Miss G was not placing sole reliance on this and I'm satisfied that she carried out checks proportionate to the transaction she was making.

- Miss G was told she needed to pay a deposit to secure the puppy. She was specifically told the deposit would hold the puppy for her and cover some vet bills such as immunizations and being microchipped. Miss G said from what she knew about buying a dog, this was not uncommon. I don't think it was unreasonable for her to have paid this deposit. I say this because most people would expect to pay some kind of deposit in this type of sale, especially as the demand for puppies was high and she was told other people were interested. Paying a deposit showed Miss G's commitment to the purchase. I am mindful that the overall price for the dog was going to be significantly more.

- Miss G has said that she was eager to make the payment before the puppy was sold to another family and therefore wasn't thinking straight. I think it is important to remember that the sale took place during a pandemic when the demand for puppies was high. I can understand why Miss G was keen to put down a deposit with the information that she had and I don't think it was unreasonable for her to do so as she thought she had made arrangements to see the puppy in its home environment the following week.

- Miss G engaged with the seller across multiple channels – via the website, via WhatsApp and by phone call. She had found the seller on a well-known website that

specializes in the sale of domestic pets. The overall price she was due to pay for the dog was broadly in line with similar puppies of this breed she had seen – the situation wasn't too good to be true.

- The seller had told Miss G she could visit the following weekend to pick up the puppy. She was provided with the seller's home address. I don't think it's unreasonable for Miss G to have been convinced that this was a genuine seller as a result. The information Miss G had indicated she was buying genuine goods from a legitimate seller – I don't think she had a reason to think the seller would not keep to their side of the bargain on this occasion. I don't think Miss G missed any red flags that could have indicated there was a possibility that she wouldn't get the dog or that the seller was not genuine.

Even though Monzo has drawn attention to the warnings on the classifieds website and highlighted that there was more Miss G could have done by following its advice, I am not persuaded Miss G needed to make such extensive enquiries in the particular circumstances of this case. Miss G had never purchased from this website before and so had no previous experience or knowledge about what the rules were. Miss G made the payment via bank transfer as the seller said he needed the money immediately to pay the vet fees, which seemed plausible. I've thought carefully about the deposit Miss G paid and how the seller communicated with her and I think Miss G's actions and assessment of the situation was appropriate and proportionate to an unremarkable deposit payment of £350.00.

Overall, I'm not currently persuaded Monzo has established Miss G didn't have a reasonable basis for belief that she was paying a legitimate person for genuine goods. This is because I don't think Miss G's actions fell below the level of care expected of her in this situation. I think Monzo ought to have fully refunded Miss G at the time she reported the loss and so it should fairly and reasonably compensate Miss G by refunding that loss now.

Should Monzo have done more to try and prevent the scam and protect Miss G?

I've thought about whether Monzo did enough to protect Miss G from becoming a victim of a scam. The CRM Code says that where firms identify APP scam risks in a payment journey, they should provide effective warnings to their customers. The Code also says that the assessment of whether a firm has met a standard or not should involve consideration of whether compliance with that standard would have had a material effect on preventing the scam.

I am also mindful that when Miss G made this payment, Monzo should fairly and reasonably also have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things).

In this case, Miss G was making an unremarkable payment. Looking at her statements and the type of payments she usually makes, I don't think the amount of this payment or the fact it was going to a new payee would have made it stand out enough for Monzo to have been concerned that Miss G might have been at risk of financial harm from fraud at the time that she made it. The payment was relatively low in value and very similar to the type of transaction Miss G typically makes. So, I don't think Monzo should have identified an APP scam risk in the payment journey or that it needed to provide Miss G with an effective warning.

That said, Monzo has said a 'low friction warning' was shown. I've still considered whether seeing the 'low friction' warning at the time the payment was made should have penetrated Miss G's thought processes. But I don't consider that the information Monzo provided to Miss G should have caused her to stop and further question what was happening. I don't

think Miss G's action in response to the 'low friction' warning was inappropriate. The message recommended clicking a link for further advice if a customer has doubts that the payee might be trying to scam them. In these circumstances, Miss G didn't have any doubts. She believed she was interacting with a genuine seller. I'm not persuaded Miss G missed any obvious indicators that something could be wrong with the situation. Taking account of all the circumstances here, which includes the warning messages Monzo says it gave, I don't think Miss G's actions fell below the level of care expected of her in this situation. I think Monzo ought to have fully refunded Miss G at the time she reported the loss and so it should fairly and reasonably compensate her by refunding that loss now.

Once Monzo was made aware of the scam, it acted quickly to try to recover the funds Miss G had sent, but they had already been utilised. This is not surprising, as fraudsters typically act very fast to move funds before the victim realises what has happened. I'm satisfied the bank processed Miss G's payment correctly and it did all it could to help her once it knew what had happened. I'm also satisfied that Monzo responded to Miss G within the permitted timescales, although I do understand why Miss G wanted the bank to react quickly.

Overall

The CRM Code explains that where a customer has met their requisite level of care (which as I've explained, I'm satisfied was the case here) they should be refunded all of the money that was lost. So I think it's fair that Monzo refunds the money Miss G lost, along with interest.

Responses to my provisional decision

Miss G confirmed that she had received my provisional decision and had nothing further to add.

On 4 April 2022, Monzo provided information to show the timeframes during Miss G's payment journey and said that she clicked through the stages to confirm the payment all within less than a minute so it didn't consider that she had stopped to read the bank's advice. It made no comment or reference to my provisional decision.

On 21 April 2022, Monzo confirmed that it had reviewed the provisional decision and asked if I had seen the additional information it had provided. It asked for more time to appeal the case but did not explain why it had not been able to refer its internal disputes team earlier or how much time it would need.

Our Investigator responded to say that we wouldn't usually extend a deadline when four weeks has already been provided for response. He pointed out that the deadline for responding to the provisional decision was now due and that I had discussed the low friction warning in my provisional decision and explained why I didn't think it reasonably ought to have led Miss G to act differently.

Monzo did not respond again or provide any further comments.

As the deadline I gave for responses has now passed, I am now going to reconsider the complaint.

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.

Monzo has not provided any further comments or evidence specifically about my provisional decision for me to consider.

When Monzo provided further information, it pointed out that Miss G has clicked through the steps to confirm the payment all within less than a minute. I have considered this confirmation of the amount of time Miss G spent on the payment screens, but given my thoughts on the 'low friction warning' as outlined in my provisional decision, I am not surprised that Miss G moved through the payment process quickly. In my provisional decision I said that I didn't consider that the information Monzo provided to Miss G should have caused her to stop and further question what was happening. The message recommended clicking a link for further advice if a customer has doubts that the payee might be trying to scam them. In these circumstances, Miss G didn't have any doubts. She believed she was interacting with a genuine seller. Against this backdrop, it is not surprising to me that Monzo's warning did not resonate strongly with Miss G in that moment. I don't think Miss G's action in response to the 'low friction' warning was inappropriate, nor do I think it should have prompted her to question whether she had a reasonable basis for believing she was making a legitimate payment.

In the absence of any further evidence or arguments from either party, my final decision remains that this complaint should be upheld. That position is supported by the explanation I have added here and the reasons I gave in my provisional decision, which is attached above and forms part of this final decision.

Putting things right

For the reasons I've explained, I'm upholding this complaint. Monzo Bank Ltd should now:

Refund the £350.00 Miss G lost as a result of the scam; plus
pay 8% simple interest per year on this amount, from the date Monzo declined Miss G's complaint under the CRM Code to the date of settlement (less any tax lawfully deductible.)

My final decision

My final decision is that I uphold Miss G's complaint about Monzo Bank Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 26 May 2022.

Claire Marsh
Ombudsman