

The complaint

Mr H complains Monzo Bank Ltd didn't reimburse the money he lost when he was tricked into paying for an item he did not receive.

What happened

Both parties are aware of the circumstances of the complaint, so I won't repeat them all here. But briefly, both parties accept that Mr H was the victim of a scam after he made a faster payment of £50 when he was attempting to purchase a second-hand mobile phone.

Mr H had seen the phone advertised for sale on a popular social media platform and contacted the seller to obtain more information about it. Mr H says he didn't see anything to concern him about the seller's social media profile, and he says he also searched their name on the wider internet without turning up anything of concern. The seller had posted pictures of the item including the serial number and box.

The seller asked for payment through bank transfer. She explained she didn't have an alternate payment method and always used bank transfer. Mr H asked some questions about the item, which the seller answered to Mr H's satisfaction. They agreed a price of £50 to include delivery. Mr H then sent the payment via his mobile app.

Mr H didn't receive a tracking number and when he chased the seller she stopped responding and blocked further contact. Mr H realised he'd been the victim of a scam and contacted Monzo to report it.

Monzo isn't a signatory of the Lending Standards Board Contingent Reimbursement Model CRM Code (the CRM Code) but has explained that it is committed to applying the principles set out in it. The CRM Code requires firms to reimburse customers who have been the victims of APP scams in all but a limited number of circumstances. Monzo said one or more of those exceptions to reimbursement applies in this case. It said Mr H made the payment without having a reasonable basis for believing he was paying for a genuine item from a legitimate seller.

One of our investigators looked into Mr H's complaint and thought it ought to be upheld. The investigator didn't believe Monzo had fairly assessed Mr H's claim under the CRM Code. He didn't agree that Monzo had been able to establish Mr H made the payment without a reasonable basis for believing he was making a legitimate purchase from a legitimate seller. The investigator thought that the steps Mr H had taken to verify the legitimacy of the seller and item were reasonable in the circumstances.

Monzo didn't accept the investigator's findings. In summary it said:

- Mr H had made the payment before receiving any parcel tracking information or providing his address details to the seller;
- The explanation the seller gave for using bank transfer wasn't particularly compelling;
- It didn't think the social media profile of the seller could be relied on to indicate the seller was genuine;
- The advert and photos didn't prove the seller's identity or ownership of the item;

- This had not been a sophisticated scam; and,
- While it agreed there was little more Mr H could have done to verify the seller or item buying through an online marketplace, that simply meant he should have decided not to proceed. Mr H shouldn't have purchased an item without being able to see it in person first.

In light of this disagreement I have been asked to make a final decision on the outcome of Mr H's 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.

Having done so, I am satisfied that:

- Under the terms of the CRM Code, Monzo should have refunded the money Mr H lost. 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 Mr H lost.
- The money was sent from Mr H's current account. It is not clear how Mr H would have used the money if Monzo had refunded it when it should have done. But if Monzo had refunded the money when it ought reasonably to have done, Mr H would not have been deprived of it for the time he has. So, Monzo should also pay interest at a rate of 8% simple per year. This interest should be calculated from the date Monzo first declined to refund Mr H until the date of settlement.

I'm satisfied that Monzo has not shown that Mr H made the payment without a reasonable basis for believing that he was paying a legitimate seller for a legitimate item. I'll explain briefly why I've reached this finding.

I know Monzo considers this was not a sophisticated scam. I agree. And I accept Monzo's point that anyone can post an advert for an item, so an advert or photos of an item are no guarantee that a seller is legitimate. Neither is a social media profile robust proof of identity or trustworthiness.

But I don't think it follows that no-one should ever purchase an item online without seeing it in person first. Nor do I agree it follows that anyone who buys an item online before seeing first it automatically made their payment without the reasonable basis for belief required by the CRM Code. Any online purchase requires a degree of trust, and most such purchases cannot provide complete certainty, but the code does not require absolute certainty.

The relevant test under the CRM Code can be summarised as being whether the bank can establish the customer in all the circumstances made the payment without a reasonable basis for believing the transaction was legitimate.

Further, while the degree of sophistication of a scam may make it harder for a consumer to spot that they are being deceived, I do not find that the CRM Code requires a scam to be sophisticated in order for reimbursement to be the fair answer. Nor does it exclude reimbursement in all but the most sophisticated scam situations. Rather, the question I must consider is whether Monzo has established that in all the circumstances at the time Mr H made with the payment without a reasonable basis for belief in the transaction's legitimacy.

Having considered all the circumstances here, I am satisfied that the steps and evidence Mr H sought to rely on were proportionate to the purchase he was undertaking.

While the seller's explanation about the choice of payment method was simply that she didn't have an e-money account, and typically used bank transfer, I don't find anything particularly implausible about this reason. Monzo argues that Mr H should have queried it further. But in such a circumstance it is hard to see what alternatives were open to Mr H to propose. I'd not expect a private seller to be in a position to accept card payments instead, and of course, had he been collecting the item in person, he could have paid in cash, but the lack of proximity made this impractical.

In saying that, regardless of whether alternative methods of payment were or weren't possible, Monzo's argument is that Mr H could have simply chosen not to go ahead. Had there been grounds for Mr H to be concerned that the seller might not be genuine, I'd agree that would have been the reasonable course of action for him to take. But in the absence of such grounds, I am not persuaded that the choice of payment method in itself established that Mr H could not have reasonably thought the seller legitimate. So, I've considered the other circumstances surrounding the payment.

I think it relevant that the price he was paying was broadly in line with the second-hand item being offered – it wasn't too good to be true. I consider the information and photos provided by the seller appeared in line with what might be expected were the seller legitimate. The other contact Mr H had with the seller didn't raise any concerns for him, and I've seen nothing to suggest that it should have. Mr H says the seller was too far away for him to collect in person and I don't find it particularly unusual to pay for an item online and have it delivered rather than necessarily seeing it in person first.

Similarly, I don't find the sequence of the selling process should reasonably have caused Mr H concern – I don't think it unusual that a seller would want payment before despatching an item, and I don't think the seller accepting payment before knowing Mr H's address should have caused him any real concerns either – I am not persuaded this ought to have seemed particularly unusual, suspicious or concerning.

In short, taking account of all the circumstances here, on balance I'm not satisfied that Monzo has been able to establish that Mr H made the payment without a reasonable basis for believing he was paying a genuine seller for a genuine item. It follows that Monzo cannot fairly apply the relevant exception to reimbursing Mr H under the CRM Code.

My final decision

For the reasons outlined above, I've decided it is fair and reasonable to uphold Mr H's complaint about Monzo Bank Ltd. I therefore require Monzo Bank Ltd to pay Mr H:

- The balance of the money lost through this scam, being the sum of £50.00 less any sums already reimbursed or otherwise refunded; and,
- 8% simple interest per year on that amount calculated from the date the bank originally declined Mr H's claim until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 12 July 2022.

Stephen Dickie
Ombudsman

