

The complaint

Mr B complains Monzo Bank Ltd didn't reimburse the money he lost when he fell victim to a property rental scam.

What happened

Both parties are aware of the circumstances of the complaint, so I won't repeat them in detail here. In brief, both parties accept that Mr B was the victim of a scam when he attempted to rent a flat in November 2021.

The scammer had responded to a website post Mr B had placed looking for a rental. They made contact with Mr B and provided with a considerable amount of documentation - relating to a property supposedly available to rent in Mr B's chosen area.

This all appeared genuine and legitimate to Mr B. He made arrangements to view the property a few days later. However, the supposed landlord pressured Mr B to pay a deposit now to secure the flat. He was told there had been a lot of other interest. The property appeared to be exactly what he needed, and the price was reasonable, so he decided to go ahead.

Mr B was sent a formal tenancy agreement and made payments for a security deposit and one month's rental in advance, sums of £300 and £600 respectively. These amounts were as specified in the tenancy agreement.

But Mr B was then unexpectedly asked to pay a further two months' rent payments upfront. When he tried calling the landlord's phone number to query this, it was no longer active. Prompted by these concerns, Mr B carried out more detailed research online. He found the phone number he'd been given was listed on a website saying it was a scam and there had been other victims.

He reported the matter to Monzo, explaining that as a consequence of the scam he'd been left in financial difficulties and was struggling to pay basic living expenses.

Monzo didn't refund Mr B. It didn't dispute that he had been the victim of a scam but said that he hadn't exercised sufficient caution when making the payment.

Monzo isn't a signatory of the Lending Standards Board's Contingent Reimbursement Model 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 Authorised Push Payment scams (APP scams) in all but a limited number of circumstances. Monzo said one or more of those circumstances (or exceptions) applies in this case. It said Mr B made the payment without having a reasonable basis for believing he was paying for a genuine rental.

However, Monzo later said it would refund half of the smaller payment, crediting his account

with £150 on 6 January 2022. And it said it would pay Mr B £25 compensation – because it accepted it hadn't acted promptly in contacting the bank to which Mr B had sent that payment.

One of our Investigators looked into Mr B's complaint and thought it ought to be upheld in full. The Investigator didn't think Monzo had fairly assessed Mr B's claim under the CRM Code. He didn't agree that Monzo had been able to establish that Mr B had made the payments without a having a reasonable basis for believing it was a legitimate transaction. He thought that Mr B had taken sufficient care in the circumstances, and Monzo should reimburse him in full.

Monzo maintained its position. So, I have been asked to make a final decision on the outcome of Mr B'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 B lost. I am not persuaded any of the permitted exceptions to reimbursement apply in the circumstances of this case.
- In the circumstances Monzo should now fairly and reasonably refund the money Mr B lost.
- The money was sent from Mr B's Monzo current account. It is not clear how Mr B 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 B would not have been deprived of it for the time he has. So, Monzo should also pay interest on the balance not yet refunded at a rate of 8% simple per year. This interest should apply from the date Monzo first declined to refund Mr B, to the date of settlement.
- Monzo has already accepted it could have acted more promptly in reaching out to the receiving bank for one of the payments and it offers Mr B £25 for this failing. In all the circumstances here, I consider it fair and reasonable that Monzo should pay a higher sum in respect of the impact of its handling of Mr B's scam claim overall. I consider the fair and reasonable award here would be £150 (this being an additional £125 on top of Monzo's current offer).

In reaching this decision, I've taken into account the evidence provided by both sides as well as the 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.

Of particular relevance here, the CRM Code says that the victim of an APP scam such as this should be reimbursed unless the bank is able to establish that one (or more) of the limited exceptions to reimbursement can be applied. I've considered all of the points Monzo has raised. But I find that Monzo has not been able to show that Mr B made these payments without having a reasonable basis for believing he was making these payments for a legitimate rental property.

One of Monzo's principal arguments is that, although this may have been a relatively sophisticated deception, Mr B shouldn't have made the payment prior to seeing the property

in person. However, I don't agree that this point establishes that Monzo acted fairly in denying full reimbursement to Mr B under the terms of the CRM Code.

I'm persuaded by the evidence available that Mr B was pressured by the threat of losing the property to other prospective tenants. In the context of the competitive nature of the rental market in recent years, I don't think this was an implausible concern.

In those circumstances I don't find Mr B acted unreasonably in believing he needed to make these two payments as holding deposits for the property. I don't think that his not waiting until he'd seen the property in person (rather than just in photos) meant he was making these payments without holding a reasonable basis for believing it was legitimate.

Of relevance, amongst other documentation he'd seen photos and a description of the property that made him believe the property would be suitable for what he needed. His interactions with the scammer didn't prompt concern that they weren't as legitimate as they appeared, and having reviewed what was said, I don't consider that was unreasonable for him to draw that conclusion either. This scam was carried out in a calculated manner. The documentation and correspondence Mr B saw were essentially just as he'd expect had this been legitimate.

I'm satisfied the evidence indicates that Mr B had taken reasonable and proportionate steps - given the nature and value of these payments amongst the other circumstances. There was nothing specific here that I consider should have been a glaring red flag that all might not have been as it seemed.

Monzo says being asked to pay a deposit to secure the property prior to having viewed it in person ought to have been such a red flag – I don't agree. I consider it reasonable for Mr B to have seen that as not atypical given the nature of the rental market in the period since Covid-19.

Had there been cause for concern on Mr B's part, then I might find he shouldn't have gone ahead without being able to reassure himself through further checks or perhaps without physically viewing the property in person. But based on the evidence provided to me I am not persuaded there was anything here that ought to have prompted such concerns on his behalf. This would have appeared a legitimate transaction at the time.

In short therefore, I find Monzo hasn't been able to establish that Mr B made this payment without having a reasonable basis for believing he was paying toward the deposit needed to secure a legitimate rental property from a legitimate landlord.

It follows that I am not satisfied Monzo has established that it can fairly rely on the relevant exception to reimbursement under the CRM Code. Furthermore I'm not persuaded that Monzo has established it may fairly apply any other exception to reimbursement under the CRM Code. It follows that Monzo should reimburse Mr B under the provisions of the CRM Code.

Distress and Inconvenience

Mr B has explained the consequences of the scam, and the impact of losing this money. That included resultant financial difficulties and an impact on his ability to pay for day-to-day living expenses such as food. While most of the distress and inconvenience he describes stemmed from the actions of the scammer, not Monzo, I have taken account of the extent of the impact on Mr B attributable to Monzo itself - through its handling of the matter. Monzo has already accepted his claim wasn't handled as well as it should have been and has offered Mr B the sum of £25.

I am aware that the Investigator did not make an increased award in respect of distress and inconvenience in this case. But Monzo has already accepted fault and offered a sum for this. I agree with Monzo that an award is due for the material distress and inconvenience caused to Mr B. I consider the fair award here to be marginally higher than Monzo has offered and given where we are in the overall complaint journey, I consider it would be fair for Monzo to pay an increased figure in line with this.

In all the circumstances, I consider it is fair and reasonable that Monzo should pay Mr B a total sum of £150 in respect of the material distress and inconvenience it caused him here (being £125 in addition to the £25 it has already offered him).

My final decision

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

I therefore require Monzo Bank Ltd to pay Mr B:

- The balance of the money lost through this scam, being the sum of £750;
- 8% simple interest per year on that amount calculated from the date the bank originally declined Mr B's claim until the date of settlement; plus,
- A total of £150 (being £125 added to the £25 Monzo has already offered to pay Mr B) in respect of the distress and inconvenience caused to Mr B by Monzo's handling of the matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 11 December 2022.

Stephen Dickie
Ombudsman