

The complaint

Mrs U complains that Monzo Bank Ltd did not refund her the £3,875 she lost as part of a scam.

What happened

Mrs U found a vehicle she wanted to purchase online and contacted the company I'll call 'J'. A sales manager from J responded and explained they could deliver the car and Mrs U would have 30 days to return it if she was unhappy. She agreed to purchase the vehicle and sent £75, followed by £3,800 on 21 November 2022.

When the delivery date went by and Mrs U still had not received the vehicle, she tried to contact J but received no reply. She raised a scam claim with Monzo who tried to recover the funds from the beneficiary bank, but unfortunately none remained. While Monzo is not signed up to the voluntary Lending Standards Board's Contingent Reimbursement Model ("CRM") Code, they have agreed to follow the principles of it. In doing so, they did not think Mrs U had met her obligations under the code, so they did not agree to reimburse her.

Mrs U referred the complaint to our service and our investigator looked into it. They felt that one of the exceptions to reimbursement under the CRM Code could be applied by Monzo in this case, as they agreed Mrs U did not have a reasonable basis to believe she was paying for genuine goods or services or the person she paid was legitimate. However, they also felt Monzo had not met their obligations under the code, as they had not provided an effective warning for the second payment as required. So they felt a 50% refund of the second payment, along with 8% simple interest from the date of the rejected claim to the date of settlement was fair.

Mrs U responded and accepted the findings. However, Monzo did not agree. They felt the second payment was not unusual enough to warrant a warning and, in any event, a warning was provided. However, Mrs U only spent a few seconds on the warning screen, so it's likely a different warning would also not have made a difference.

As an informal agreement could not be 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 agree with the investigator for largely the same reasons. I think Monzo should reimburse Mrs U from the second payment onwards, and I agree a 50% reduction of the redress is fair in this case. I'll explain why in more detail.

I'm satisfied Mrs U has been the victim of a vehicle purchase scam and I'm sorry she's had to experience this. The starting point under the relevant regulations and the terms of Mrs U's account is that she is responsible for transactions she's carried out herself. However, as

explained above, Monzo have agreed to follow the principles of the CRM Code which gives additional protection to victims of authorised push payment scams.

All parties have accepted that Mrs U did not meet her obligations under the code, as she did not have a reasonable basis for believing she was dealing with a legitimate company and was purchasing a legitimate vehicle. So I don't think I need to go into detail about that again in this decision. In summary, I do agree a reduction in the reimbursement is fair and reasonable as I don't think Mrs U had a reasonable basis to believe she was legitimately buying a vehicle. What's left to decide is if Monzo met its obligations under the code.

Monzo had an obligation to provide an effective warning where it identified a scam risk during the payment journey. Monzo provided a warning when Mrs U set up J as a new payee and when she instructed the second payment. The warning provided on receipt of Mrs U's instruction of the second payment was relatively generic and mentioned multiple types of scams on the same page, and it did not set out what steps Mrs U could take to protect herself from the scam. So, I don't think this was effective. I cannot see that any additional warnings were provided for the payment of £3,800.

On balance, I agree the initial payment of £75 was of too low a value to warrant an effective warning prior to it being processed. So I think Monzo has met its obligations under the code in relation to this transaction and I don't direct it to reimburse Mrs U for this amount.

Monzo has argued that this is also true for the payment of £3,800, however, in this case I don't agree. The payment is of a higher value than other transactions on Mrs U's account in the months leading up to the scam and I think it was significant enough to have warranted an effective warning. And it should be noted the bar for Monzo to provide an effective warning on a payment is lower than the bar to delay a payment prior to intervention. In this specific circumstance, I think it would have been reasonable for Monzo to provide an effective warning and as they didn't do so, I don't think they met their obligations under the CRM Code.

Having carefully considered everything available to me, I think both parties have not met their obligations under the CRM Code when it comes to the second payment. I am recommending Monzo reimburse Mrs U for the payment of £3,800 but I agree it can rely on the exception as outlined above so the redress will be reduced by 50% as a result. Monzo should also add 8% simple interest to the payment from the date the claim was rejected to the date of settlement. If Monzo considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs U how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

I note that Monzo did attempt to recover Mrs U's funds from the beneficiary bank once they were made aware of the scam, but unfortunately, none remained. On balance, I think Monzo made attempts to try and recover the funds so I don't think they have made an error in the circumstances.

My final decision

I uphold Mrs U's complaint in part and recommend Monzo Bank Ltd pay the redress outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs U to accept or reject my decision before 5 April 2024.

Rebecca Norris
Ombudsman