

The complaint

Mr B complains that Monzo Bank Ltd won't reimburse him after he fell victim to a scam

What happened

Both parties are aware of the circumstances surrounding this complaint, so I won't repeat them in full here. But briefly, both parties accept that in February 2023, Mr B found a van he wished to purchase on an online marketplace and contacted the seller to obtain further details. Unfortunately, unbeknownst to Mr B at the time, the 'seller' was in fact a fraudster, who had created a false advert for a van they didn't own.

The fraudster told Mr B they weren't in the country and had left the car with an escrow company to sell and deliver. The fraudster stated they were selling the van for £5,000 and that this was a reduced price as the van was part of the proceeds of a divorce and they wanted it sold quickly.

Mr B was directed to communicate with the falsified escrow firm, who provided fake invoices and emails advising Mr B on the payment process. On this basis, Mr B sent the fraudster £5,000 on 23 February 2023. When making the payment on his Monzo app, Mr B was asked to provide details of the payee. Monzo was able to confirm that the name Mr B had provided matched that of the beneficiary account, but that the account was a personal, rather than business account as Mr B had entered. Mr B then received the following warning message from Monzo:

'New payee warning

Could this payment be to someone trying to scam you? If you have any doubts (for example you don't personally know the recipient), get some advice. Bear in mind that once you make a payment, it's almost impossible for us to get the money back.'

This was followed by a separate further warning message:

'Could someone be trying to scam you?

Stop if:

- *You were told your account is at risk, to make an unexpected payment, or to take out a loan*
- *The offer sounds too good to be true*
- *You haven't double-checked who you're paying*
- *You were told to ignore warnings like this*

You may lose money if this is a scam.

If you're at all unsure, stop and get advice.

We'll never call you out of the blue.'

When the van Mr B had purchased didn't arrive, he realised he'd been the victim of a scam and contacted Monzo to raise a claim.

Monzo investigated Mr B's claim and considered its obligations to provide him with a refund. Monzo has agreed to act in the spirit of the Lending Standards Board Contingent

Reimbursement Model (CRM) Code (although it isn't a signatory), which requires firms to reimburse customers who have been the victims of APP scams like this in all but a limited number of circumstances. Monzo says one or more of those exceptions applies in this case.

Monzo has said Mr B didn't have a reasonable basis for believing he was making a legitimate payment. Monzo also said Mr B ignored an 'effective warning' when making the payment to the fraudster. However, it did acknowledge failings in its timeliness and customer service during the complaints process and offered Mr B £125 in compensation to acknowledge this.

Mr B remained unhappy and referred his complaint to our service. An investigator considered the complaint and upheld it in part. She didn't think Mr B had a reasonable basis for believing the payment he made was legitimate. However she also didn't consider Monzo had provided an 'effective warning' - and that it should have done, based on the size of the payment Mr B was making. She therefore considered both parties should share liability, with Monzo refunding Mr B 50% of the payment.

Mr B accepted the investigator's view, but Monzo disagreed with the investigator. It considered the warning it provided was effective for the scam Mr B fell victim to. It also argued that there is no provision in the CRM Code that states effective warnings must be provided for all payments, and that there was nothing about this payment to suggest it was being made as the result of a scam.

As Monzo disagreed with the investigator's view, the complaint has been referred 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.

As Mr B has already accepted the investigator's view to share 50% liability, I won't cover Mr B's basis for believing the payments were legitimate in too much detail, except to say I agree with the findings of the investigator on the basis that:

- I consider the price the van was advertised for was too good to be true and ought to have caused concern to Mr B. The van was advertised for £5,000 (which would have required a deduction for escrow costs and delivery services had the sale actually been legitimate). The van was actually valued at around £12,000 to £14,000. I don't think the circumstances provided by the seller sufficiently explain why they would be willing to take such a personal loss on potential profits by selling at this price.
- There were some discrepancies in the information provided about the van. For example, Mr B conducted his own vehicle checks, which suggested the mileage of the van was higher during its last MOT check than it was being currently stated as.
- I don't think Mr B was given a plausible reason by the escrow company for why he was paying a personal account. The 'escrow' emails stated that its company is not registered in the UK and therefore all bank accounts are operated by its staff. This doesn't appear to be a secure way of conducting business on this scale. It also calls into question why the company would be conducting business from within the UK if registration and bank accounts were an issue. I also think elements of the 'escrow' company agreement were questionable – such as requiring Mr B to not disclose to third parties where Mr B is sending his money, or the reason the payment is to be made to an assigned representative.

I therefore agree that there were elements of the scam that ought to have caused concern to Mr B and that he reasonably ought to have conducted further checks before proceeding with the payment. On this basis, I agree it's fair he shares 50% liability for the payment he made to the fraudster.

I've considered Monzo's representations that it didn't *need* to provide an effective warning, but considers it did in any event. However, I disagree on both these points. The CRM Code states that effective warnings should be provided where firms identify APP scam risks in a payment journey. This payment was being made to a new payee and was high value in comparison to Mr B's usual spending (being notably higher than any other payment Mr B had made in the past six months.) I therefore think the payment was sufficiently unusual that there was an identifiable APP scam risk and that Monzo should have provided an effective warning. In fact, based on the value of the payment and Mr B's typical account usage, I think it's reasonable to say that further intervention on Monzo's part, such as staff intervention, would have been a reasonable response based on the risk posed.

Having reviewed the warning Monzo did provide, I disagree that it can be considered 'effective' under the CRM Code. The warning attempts to cover multiple scam types, without going into sufficient detail about this scam. It therefore lacks impact and isn't specific enough to meet the CRM Code's definition of an effective warning. It also doesn't set out what steps a customer could take to protect themselves from the scam.

I therefore don't think Monzo met the CRM Code's requirements of providing an effective warning to an identifiable scam risk and also think that in this particular case, it ought to have gone further still by questioning Mr B on this payment before allowing it to be processed. Had it done so, I see no reason why Mr B would've been dishonest about the payment he was making. As the scam bore typical hallmarks of a vehicle purchase scam (a value too good to be true and use of an intermediary service to provide the vehicle) I think that had Monzo intervened, it would have been able to identify Mr B was at risk of financial harm from fraud and the scam could have been avoided. I therefore think it's fair that Monzo also shares 50% liability for Mr B's losses.

Once it was made aware of the scam, Monzo contacted the beneficiary bank the following day. Best Practice Standards state that when made aware of an APP scam, sending banks should flag this with the receiving bank 'immediately' – so in this case I think Monzo fell short of that expectation. However, as Mr B didn't report the scam until the day after he'd made the payment, I don't think any swifter action on Monzo's part would've likely impacted the outcome for Mr B – as I think it's more likely than not that funds would have been moved on by the fraudster by the time Mr B had contacted Monzo.

Lastly, I've considered the compensation award Monzo made to Mr B. I can see there was quite a significant delay in Monzo providing its response to Mr B's complaint, as well as failures to provide significant updates and requested call backs. I therefore think the £125 offered by Monzo is fair compensation to acknowledge these errors.

My final decision

My final decision is that I uphold Mr B's complaint against Monzo Bank Ltd in part and I require Monzo Bank Ltd to:

- Refund Mr B 50% of the money he lost to the fraudster, being £2,500 (50% of £5,000).
- Pay 8% simple interest on this amount, calculated from the date of the transaction to the date of settlement.

- Pay £125 compensation to Mr B.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 9 April 2024.

Kirsty Upton
Ombudsman