

The complaint

Mrs S, on behalf of 'S', complains that Monzo Bank Ltd ("Monzo") won't refund the money she lost as a result of an Authorised Push Payment ("APP") scam.

What happened

The background to this complaint is well known to both parties, so I won't repeat it all in detail here. But in summary, I understand it to be as follows.

Mrs S was looking to purchase a vehicle for her company and found an apparently suitable one on the marketplace of a well-known social media website. She contacted the seller (whom she thought was an independent car dealership) through email. The seller responded, providing a link to its website which had more information and pictures of the vehicle. The email also provided a link to a gov.uk website in which it advised Mrs S could check the company and also a link to a website that provided customer reviews.

Mrs S satisfied with the vehicle offered £3,500. The seller accepted the offer and asked Mrs S whether she wanted it delivered for a fee of £90 which Mrs S agreed to.

Mrs S then made two payments to the account details she was given. Mrs S paid £20 initially so that the company's finance department could set up a new beneficiary and then the remaining £3,570.

Unfortunately, the vehicle didn't arrive as promised, and Mrs S realised she'd been scammed.

Mrs S raised the matter with Monzo. Monzo is not a signatory to the Lending Standards Board's Contingent Reimbursement Model (the CRM Code) but has agreed to adhere to the provisions of it. This means Monzo has made a commitment to reimburse customers who are victims of authorised push payment scams except in limited circumstances. Monzo investigated Mrs S's fraud claim but concluded it had no responsibility to refund her loss. In summary this was because it didn't consider Mrs S had reason to believe the goods or seller were legitimate and it said it felt Mrs S didn't take enough steps to check the purchase was genuine.

Monzo tried to recover Mrs S's money from the beneficiary bank (the bank to which the money was sent), but unfortunately no funds remained.

Unhappy with Monzo's response, Mrs S brought her complaint to this service and one of our Investigator's looked into things. Our Investigator thought the complaint should be upheld in part. In summary, he didn't think Monzo had met its standards as a Firm under the CRM Code as it hadn't provided an 'Effective Warning' at the time the second, larger, payment was made – and they consider it ought to have done. So our Investigator thought Monzo was, at least in part, responsible for the loss Mrs S had suffered.

But our Investigator also considered that Mrs S should share some responsibility for her loss. He said this because he didn't think Mrs S had a reasonable basis for believing the vehicle she thought she was purchasing, was genuine. He said this because he considered the price of the vehicle was too good to be true. So our Investigator thought both parties should share some responsibility for the loss, and Monzo should refund 50% of Mrs S's loss on the second payment, along with 8% simple interest on that amount from the date Monzo declined Mrs S claim under the CRM Code until the date of settlement.

Monzo didn't accept the Investigator's findings. Initially it responded advising it had no concerns over the payments and didn't detect a scam risk. Our Investigator responded reiterating that he considered the second payment of £3,570 was large enough that there could be a scam risk and it ought to have warranted Monzo seeking to provide an 'effective warning' under the CRM Code.

Monzo responded advising that as it was a second payment – it was to an existing payee and Mrs S was provided an effective warning at the time of setting up the payee (when she made the first payment). It considered that as part of the 'new payee warning' Mrs S was advised that it might be a scam if "...*the offer sounds too good to be true*". It also remained of the opinion that the payment didn't warrant an effective warning as it didn't detect a scam risk.

As agreement couldn't 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.

The starting point in law is that Mrs S is responsible for transactions she's carried out herself. But, as already set out, Monzo has agreed to adhere to the provisions of the CRM Code. So, I've considered whether Mrs S should be reimbursed in full or in part by Monzo under its provisions.

The CRM Code allows Monzo to decline reimbursement if it can demonstrate (as far as is relevant to this complaint) that Mrs S:

- Ignored an 'Effective Warning'; and/or
- Made the payment without a reasonable basis for believing that the sale of goods was legitimate

I think that Monzo can rely on the second exception to reimbursement. This is because the price of the vehicle here, wasn't just a little lower than she might have found elsewhere but was nearly 50% of the market value. Comparable equivalents – so the same make and model vehicle with the same specifications and approximate mileage are listed at around £7,500 to £9,500.

Overall, I question why a legitimate car dealership, presumably in business to make a profit, would sell at such a discounted price when the same make and model vehicles were selling for considerably more on the market.

I also agree with the Investigator that Mrs S also should have been concerned that she was paying into account details that didn't match that of the dealership from whom she was liaising with.

So, overall I think there were some warning signs here, and Mrs S needed to approach the purchase with considerable caution to ensure that the vehicle actually existed and that she was dealing with a legitimate seller.

So, I think Monzo can fairly rely on one of the exceptions to reimbursement – that Mrs S made the payment without a reasonable basis for believing that the seller was legitimate.

But Monzo, under the CRM Code, should take appropriate action to identify customers and payment authorisations that run a higher risk of being associated with an APP scam (SF1(1)).

Monzo says it provided a 'new payee' warning when Mrs S set up the new payee and paid £20. And that it also provided a 'low friction' warning' during that payment journey. I find that to be appropriate for that initial payment. But here Monzo didn't provide a warning when Mrs S made the second payment for £3,570. Monzo can't seek to rely on the 'low friction' warning it provided on the initial payment as an 'effective warning' for the subsequent payment Mrs S made. As Monzo is aware, under the CRM Code, a warning needs to be provided during the payment journey when it identifies a payment runs a higher risk of being associated with an APP scam – so when Mrs S was making the payment of £3,570. And in any event, I also find that the low friction warning covers off multiple scam types – so while appropriate for the initial payment Mrs S made for £20 it isn't an effective warning as set out by the CRM Code for the second payment.

I also agree with our Investigator, in that a payment of £3,570 meant that there was a chance that the payment had a higher risk of being associated with an APP scam. I'm persuaded this warranted Monzo seeking to identify and provide an effective warning to its customer to help protect its customer from APP scams. Just because it was the second payment (so to an existing payee) isn't to my mind sufficient for Monzo to not provide an effective warning. I am also minded to say, that if that was the case, then scammers would invariably set up lower initial payments to avoid the risk of detection on subsequent larger payments. While I accept some larger payments had been made previously, it doesn't mean that the payment of £3,570 didn't carry a potential APP scam risk. And Monzo ought fairly and reasonably to have sought to determine the payment purpose and provide an effective warning against the possible scam risk Mrs S maybe facing.

So I don't think Monzo met its standards as a Firm when Mrs S made the second payment (for £3,570) and liability for the loss should be shared between Mrs S and Monzo.

Finally, I've considered whether Monzo did all it could to try and recover the money Mrs S lost, once she had reported the scam to it. Monzo did contact the beneficiary when she raised the matter, but unfortunately wasn't able to recover any of the money lost. So I think Monzo has done what could reasonably have been expected of it to try to recover the money.

Putting things right

For the reasons I've explained, I uphold this complaint about Monzo Bank Ltd in part and instruct it to pay Mrs S:

- £1,785 (that being 50% of the money lost when Mrs S made the second payment of £3,570)
- Pay interest on that amount at 8% simple per annum from the date it declined Mrs S's claim under the CRM Code to the date of settlement.

My final decision

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

I direct Monzo Bank Ltd to pay compensation, as set out above, within 28 days of receiving notification of Mrs S's acceptance of my final decision.

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

Matthew Horner
Ombudsman