

## **The complaint**

Mr C is unhappy that Monzo Bank Ltd won't refund the money he lost after he fell victim to a vehicle purchase scam.

## **What happened**

Mr C saw a car advertised online. He contacted the seller, who he believed to be a car dealership, and was sent further details about the car and its condition.

Mr C explains that the person he was speaking to sounded knowledgeable and he saw numerous photographs of the car. Mr C says he checked the dealership on Companies House and the details matched up. Mr C asked if he could view the car, and the dealership said he could, but they were based hundreds of miles away, in Scotland. So, for ease, they could arrange to have the car delivered to him.

The purchase price was £3,845, which included a £90 fee for delivery to Mr C's address. Mr C was told that the car would be delivered to him within 10 days. He would then have 30 days to decide whether he wished to keep the car or not. If Mr C decided not to keep the car, he could return it and receive a full refund.

Mr C decided to go ahead, and the seller provided their account details. The seller asked Mr C to send a £45 payment first to set up the account and to then send the remainder. Mr C did what he was told and made two separate payments to the account details provided.

Unfortunately, Mr C wasn't dealing with a genuine car dealership and was instead interacting with a scammer. He'd been tricked into sending money to the bank account details he'd been given.

Mr C realised he had been the victim of a scam when the car was not delivered as agreed and all contact with the seller ceased.

Mr C then contacted Monzo to report what had happened and raise a fraud claim. Monzo investigated Mr C's claim but concluded it had no responsibility to refund his loss. It said it had tried to recover the money from the receiving bank, but no funds remained.

Unhappy with Monzo's response, Mr C complained. In its final response letter, Monzo said Mr C had not taken enough steps to check who he was paying before the payment was made. It did, however, agree to pay Mr C £75 because his complaint wasn't responded to on time.

Mr C remained unhappy and referred his complaint to this service.

One of our investigators looked into things and said Monzo should offer Mr C a refund of 50% of the second payment he had made. She explained that Monzo had agreed to adhere to the provisions of the Lending Standards Board Contingent Reimbursement Model (the

CRM Code) which requires firms to reimburse customers who have been the victims of Authorised Push Payment (APP) scams like this, in all but a limited number of circumstances.

She agreed that one of the exceptions set out in the CRM Code applied to this case. But she also thought that Monzo should have done more than it did to try and prevent the scam and protect Mr C.

Mr C agreed but Monzo did not. It pointed out that Mr C had never met the seller and didn't inspect the car in person. It also suggested the price for the car was too good to be true when the delivery costs were considered.

As no agreement could be reached, the complaint has been referred to me to decide.

### **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.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account 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.

When thinking about what is fair and reasonable in this case, I've considered whether Monzo should reimburse some or all of the money Mr C lost in line with the provisions of the CRM Code it has agreed to adhere to, and whether it ought to have done more to protect Mr C from the possibility of financial harm from fraud.

Having done so, I agree with the findings put forward by the investigator, for largely the same reasons and I have decided to partially uphold this complaint, I'll explain why in more detail below:

#### *The CRM Code*

Monzo has agreed to adhere to the provisions of the Lending Standards Board Contingent Reimbursement Model (the CRM code) which requires firms to reimburse customers who have been the victims of Authorised Push Payment (APP) scams like this, in all but a limited number of circumstances.

A customer who has fallen victim to a scam should, under the CRM Code, be refunded in full in most circumstances. But the Code does set out exceptions to reimbursement which a business can choose to rely on, if it can evidence that they apply.

Monzo has said that one such exception applies in Mr C's case. Monzo says that:

- Mr C lacked a reasonable basis for believing he was dealing with a legitimate person for legitimate purposes.

It is then for me to decide whether this exception to reimbursement can be fairly relied on.

It is not in dispute that Mr C has been the victim of a scam. I'm satisfied the proposition offered by the scammer was a fraudulent scheme. But I then need to consider the merits of Mr C's individual case, taking into account his specific circumstances.

*Did Mr C have a reasonable basis for belief when he made the payments?*

I've thought about the steps Mr C took to reassure himself about the legitimacy of the transaction and whether it was reasonable for him to proceed with the payments. Having done so, I am not persuaded Mr C had a reasonable basis for believing that the payee was the person he was expecting to pay, the payment was for genuine goods or services and the person or business he transacted with was legitimate.

This is not a finding I have made lightly. I am mindful that this was a somewhat sophisticated scam. From what Mr C has told us, the fraudster may have created a cloned website and faked operations to appear legitimate. And I can see Mr C was also sent some legitimate looking documentation.

However, I can't ignore that the car Mr C wanted to purchase was advertised for sale at £3,845, including delivery, to his address on the other side of the UK, nearly 500 miles away. Having looked at average car sale prices based on make, model, vehicle age and mileage, this price is considerably less than what comparable cars were being sold for at the time of the scam. The information I have seen suggests the typical market value for this car with this specification and in this condition was between £6,970 and £8,760. And so, even without delivery, the car was being sold for at least around 50% of its market value. With delivery included at the price it was, what was being offered here was too good to be true. It's also implausible that the dealership would offer what was effectively a trial period for the car for 30 days with the offer of coming to collect the car again and return it for free – potentially resulting in a loss of hundreds of pounds. And I think Mr C should have had significant concerns about what was being offered here and he should've questioned why a dealership would be willing to sell this car for so much under its market value and offer the services it was at significant cost to itself.

I also have to bear in mind that Mr C was not buying a car that had been previously written off or that had known mechanical problems. He believed he was purchasing a vehicle that was being presented as in very good condition. I've not seen anything to suggest that Mr C thought critically about the level of discount that was being offered and I think he ought to have done – especially considering that he was unable to view the car in person.

Mr C explains that he checked the dealership on Companies House so he was confident he was dealing with a legitimate company, but Mr C didn't seek to verify if the person he was sending money to was linked to the company and they were not named as a director or a person with significant control on Companies House either. So, whilst I accept that Mr C did undertake some checks, he ultimately also placed a lot of trust in strangers.

Overall, I consider that Mr C ought to have had greater concerns about the deal and that, in turn, ought to have led to a greater degree of scrutiny on his part. Buying a car sight unseen at a considerable discount was always a big risk. And the deal being offered here does appear to be too good to be true. I think Mr C should have had done more than he did to question the arrangement before paying any money. Ultimately, I'm not persuaded Mr C had a reasonable basis for believing this was a legitimate sale.

*Did Monzo meet the standards expected of a firm under the CRM Code?*

The CRM Code also sets out standards that firms are required to meet. Where these are not met, the firm may still be liable to reimburse a victim in part, even where it has been able to establish that an exception to full reimbursement can be fairly applied (as is the case here).

Those requirements include the provision of what the Code defines as an “Effective Warning” when a firm identifies an APP scam risk in relation to a payment.

The CRM Code requires that warnings be both specific to the scam risk identified and impactful – to positively affect a customer’s decision-making in such a way that the likelihood of an APP scam succeeding is reduced. The CRM Code goes on to say this should include steps to ensure that the customer can reasonably understand the consequences of continuing with an irrevocable payment.

I’m not persuaded that Monzo ought reasonably to have identified an APP scam risk when Mr C made payments the first £45 payment. Although it did offer a warning relevant to setting up a new payee, the value of the transaction was relatively low and on the face of it, there wasn’t anything particularly suspicious about it. This means that under the CRM Code, Monzo met its standards in respect of this payment. But I think the position was different when Mr C made the second payment. The value of this transaction was greater. It was for £3,800. And it is significantly higher than the regular transactions Mr C usually makes from his account.

In its submissions to this service, Monzo said Mr C would have been provided with a warning when he made the first payment only. This means that Mr C wasn’t given a warning at all in respect of the second payment, so it’s not possible to say Monzo provided Mr C with an effective scam warning in regard to the second payment. So Monzo has not met its obligations in regard to this payment.

The CRM Code sets out how a scam victim should be reimbursed. Where an exception to reimbursement doesn’t apply and the firm has met the standards applicable to it under the CRM Code, the customer will not be due a refund. And so, Mr C is not due a refund of the first £45 payment. However, where an exception to reimbursement applies and a firm hasn’t met its standards, a customer should receive 50% of their loss. So, Mr C should be reimbursed 50% of payment two.

I’ve gone on to consider Monzo’s wider obligations to look out for unusual and out of character transactions. But I don’t consider any of the transactions Mr C made were so unusual and suspicious that Monzo ought reasonably to have intervened and discussed them with Mr C. I’ve also thought about whether Monzo could have done more to recover Mr C’s funds. But I’ve seen evidence that shows me the scammer moved the money out of the receiving account before Mr C reported the scam to Monzo. And so, it wouldn’t have been possible for Monzo to recover any of Mr C’s funds at the time the scam was reported.

Overall, whilst I’m sorry to hear about Mr C’s loss, I can’t reasonably ask Monzo to provide a full refund.

### **My final decision**

For the reasons set out above, Monzo Bank Limited should pay Mr C:

- 50% of the second payment
- interest on the above amount at the rate of 8% simple per year from the date Monzo made its decision not to reimburse to the date of settlement
- £75 in compensation previously offered to Mr C (if it has not been paid already)

If Monzo considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr C how much it has taken off. It should also give Mr C a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 26 July 2024.

Emly Hanley Hayes  
**Ombudsman**