

The complaint

Mr G complains that Wise Payments Limited's payment processes disadvantaged him when he fell victim to a scam. To put things right, he is seeking compensation for his loss, improved systems and for Wise to have a formal fraud investigation system like a clearing bank.

What happened

On 5 June 2020, Mr G was tricked by fraudsters into making a payment of €6,000 from his personal Wise payments profile. The fraudsters impersonated an organisation well known to Mr G and sent him an email regarding an account that needed an urgent settlement. Mr G has explained the scam was so sophisticated someone else at the organisation thought it was genuine when he checked before going ahead.

Mr G uncovered the scam very quickly and contacted Wise straight away. But Wise told him it was too late as the funds had already been sent. It said that there was nothing more that could be done.

Mr G explains that he has used Wise to make payments in the past and there has been a delay enabling him to cancel a payment if necessary. On this occasion, Mr G made a faster payment directly from his bank account using the Open Banking process embedded into Wise's payment journey.

Wise said all transfers completed are final and cannot be reversed or recalled. Unhappy with the position, Mr G raised a complaint. He did not consider that Wise had a proper procedure for handling fraud cases. He felt Wise's process were deficient because they did not alert him to the potential pitfalls of making a faster payment and did not do enough to protect him when he was sending a large sum of money to new payee. He said that Wise did nothing except tell him there was nothing it could do.

Wise said it had completed the payment as Mr G had instructed. It confirmed that it had contacted the beneficiary to try and recover the funds that had been sent.

Our Investigator considered the matter but did not recommend it should be upheld. She recognised this was the largest transfer Mr G had ever made from his Wise account and that it was being sent to a payee he'd not paid before. But she didn't think Wise would have been able to stop the scam if it had contacted Mr G to discuss the payment further. She noted that Mr G had already contacted the organisation directly and checked the details with someone there who confirmed it to be a genuine instruction. She suggested that relying on a delay in funds reaching an account wasn't a good way to safeguard funds, especially as payment methods are now fast and efficient.

Mr G didn't agree with the Investigator's view. He explained the payment option he selected did not explain to him that it would be an instant transfer. He asked for his complaint to be reviewed afresh by an Ombudsman and added further points to be taken into consideration. In summary, he said:

- He had used Wise for some time before the scam happened and all previous payments have taken several hours to place, sometimes overnight and over a weekend if initiated on a Friday. This was the first time a payment had been instantaneous.
- There is an option on the Wise website to cancel a transfer which he has successfully used once before.
- Generally, there is no guidance or advice given by Wise when setting up payments or making transfers. Wise does not make it clear that the option to cancel a transfer doesn't always work or offer protection.
- He made the scam payment using a method which was presented as being more convenient by connecting directly to his bank account, but no warnings or precautionary information was provided.
- There was a defect in Wise's processes as its response said it was going to take certain measures to prevent others from falling victim to the same scam.

My further investigation

When the complaint was allocated to me, I contacted Wise to confirm that Mr G had made an Open Banking faster payment and obtained copies of screenshots to show how that payment journey would have appeared to Mr G at the relevant time.

I asked Mr G if he'd contacted his bank. He confirmed that he had but it did not lead anywhere as it told him to pursue the matter directly with Wise.

After reviewing the screenshots of the payment journey, I contacted Wise to ask it if it would have been possible for Mr G to have cancelled a manual payment at the time he uncovered the scam to see if he had been left in a worse position. I also asked Wise about the option to cancel payments as it was unclear how and when that would be possible.

Mr G provided details of occasions he had been able to cancel payments in the past. He explained that the ability to be able to cancel a payment was a form of back of mind reassurance.

Wise explained that a customer is unable to cancel once a payment is completed by the funds being converted into the target currency and sent to the beneficiary account details. It said he would have needed to have initiated cancellation before the transfer was paid out to the intended recipient bank details.

I contacted Mr G and indicated that it was difficult to say with the required degree of certainty that he would have been able to stop the payment if it had been made another way.

Mr G explained that everything he had learned about using Wise has been through trial and, unfortunately, error. He asked for a decision to finalise my findings.

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 can find no basis on which I could fairly and reasonably ask Wise to take responsibly to refund the money Mr G has lost. I can appreciate this isn't the outcome Mr G was hoping for, so I will explain why.

There's no question that Mr G has been the victim of a scam. He's lost a lot of money through no fault of his own. But that alone doesn't mean that Wise must reimburse him. It would only be fair for me to say that Wise should refund Mr G's loss if it has failed in some way resulting in the loss. I have first thought about whether Wise could have done more to prevent the scam from taking place or intervened so that Mr G would have realised what was happening and stopped before sending the money.

This was an authorised transaction even though Mr G was the victim of a sophisticated scam. He authorised the payment and under the Payment Services Regulations 2017, he is presumed liable for the loss in the first instance.

However, taking into account the law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider Wise should fairly and reasonably:

- Have been monitoring accounts and any payments made or received to counter various risks, including anti-money laundering, countering the financing of terrorism, and preventing fraud and scams.

- Have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which payment service providers are generally more familiar with than the average customer.

- In some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, before processing a payment, or in some cases declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

I'm mindful that Mr G had been a Wise customer for over four years at the time he unwittingly made the payment to the fraudster. Whilst it wasn't unusual for him to make international payments from time to time, this payment was more than five times more than he'd ever paid previously. Wise should be on the lookout for unusual and out of character situations, such as a customer making a larger payment than they would typically make to a new payee. These can be indicators that a transaction could involve fraud or be the result of a scam.

I've thought about whether Wise ought to have known that Mr G was at the risk of financial harm from fraud when making this payment. Even if Wise had been concerned and had taken steps to find out more about the payment Mr G was making, I'm not persuaded it would have made a difference to the position Mr G now finds himself in. The scam that Mr G fell victim to was sophisticated. The request for payment came into Mr G's inbox purporting to be from a recipient that was known to him and with a plausible reason for contacting him. In addition to this, Mr G contacted the genuine organisation that the payment request was purporting to be from and spoke to another member of staff who verified it as being legitimate. This is most unfortunate as the organisation could have stopped the scam in its tracks at that point. But even if Wise had been concerned enough about the payment to make further enquiries about it, I think Mr G would have been able to satisfy it that he wasn't at any risk of financial harm from fraud. I think it's most likely Mr G would have told Wise that he'd spoken to the organisation directly and verified the payment request. This would have been very powerful and sufficient to allay any concerns Wise may have had about the

payment. It is exactly the action Wise would have most likely recommended that Mr G take to protect himself if it had identified he was at risk of falling victim to an email interception scam.

As I don't think Wise acted incorrectly by making the payment, I've gone on to consider whether it should have refunded Mr G for any other reason, which includes consideration of whether its payment processes and systems have disadvantaged him on this occasion.

Wise are not a bank and it is not a signatory to the Lending Standards Board's voluntary Contingent Reimbursement Model Code. This means it does not have to reimburse a customer who is the victim of an authorised push payment scam because of any obligation under this Code.

I've thought about what Wise did after it found out about the scam. Mr G is concerned that it should have done more to investigate the fraud and that its processes are defective. I can see that Wise did try to contact the beneficiary and recall the funds. It also took steps to try and block the fraudster from continuing to use its services. Wise is limited in what it can do but contacting the beneficiary bank to see if it can recover any of the money that's been sent was the appropriate action for it to have taken. Wise did not receive any response from the beneficiary bank. Sadly, this is not unusual. The likelihood of funds being recoverable after a scam is slim as fraudsters tend to be waiting for the funds to arrive and then move the money on immediately upon receipt.

I've also thought about the way Mr G made the payment and whether he is any worse off as a result of making an Open Banking faster payment as oppose to manually making a faster payment from his bank to Wise himself and then instigating the transfer onwards from there. Mr G has provided details to show that some of the payments that he has made in the past have had processing times, but others are executed within minutes of the funds arriving.

I've thought about whether Mr G would have been able to cancel the payment if he'd made a manual faster payment instead of using the Open Banking faster payment option that was integrated into the payment. But it is difficult for me to say with the required degree of certainty that Mr G would have been able to stop the payment if it had been made another way. Wise has been clear that Mr G would have needed to initiate cancellation before the transfer was paid to the recipient bank details because it is not possible to cancel once the funds have been converted into the target currency. But a manual faster payment generated by Mr G logging directly into bank account is most likely to still arrive with Wise as a faster payment rather than a slower BACS payment.

Looking at Mr G's bank account statement, I can see that other payments he's made to Wise went over as faster payments even though they were manual payments rather than Open Banking payments. Faster payments usually arrive instantly, or within a couple of minutes at most. It is uncommon for a faster payment to take longer than this. I think it's more likely than not that a manual payment on that ill-fated day would have arrived as a faster payment too. As the payment Mr G made to the fraudster was processed very quickly by Wise when the funds arrived, I have no reason to think it would have been any different had Mr G logged into his online banking himself to send the money across to Wise rather than having Wise initiate it from within the integrated app. For this reason, I do not think Mr G lost the opportunity to cancel the payment and prevent his loss.

Mr G is right when he notes that the embedded faster payment contained no warnings or guidance about who he was paying. The standards that apply to an Open Banking payment mean that by its design, it is quicker and has less friction. I am not a regulator, so I do not have the power to change those rules and processes and I cannot compel Wise to introduce friction such as warnings or additional guidance in situations where it is not obligated to do

so.

Mr G has my considerable sympathies. But having looked closely at the payment he made, I don't think Wise treated him unfairly when it concluded that it was not responsible for refunding the money Mr G has lost. For the reasons I have explained, there are no grounds on which I could say that Wise should, fairly and reasonably, bear the responsibility for Mr G's loss.

My final decision

For the reasons I have explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 5 April 2022.

Claire Marsh
Ombudsman