

The complaint

Mrs U complains Wise Payments Limited won't refund money she was tricked into transferring to a fraudster.

What happened

Mrs U attempted to purchase a shipment of goods. The seller was based overseas and after she paid for the goods, they demanded a series of additional fees from her for various reasons related to the transportation of them.

One of the payments Mrs U made – for £1,670.75 was made using Wise's services to an account also held at Wise. It was a fee supposedly for an 'EU movement certificate'. Unfortunately for Mrs U, the seller wasn't genuine and the goods don't seem to have existed. This complaint is limited to Wise's actions in relation to that single payment – but I know Mrs U has lost significantly more than this amount through her current account.

Mrs U reported the matter to Wise, but it said that it wouldn't refund the payment as it had been made by Mrs U and it wasn't responsible for problems with the recipient of a payment. However, it said that a small amount of money remained with the recipient, but it would need an indemnity from Mrs U's bank in order to return those funds to her.

One of our investigators didn't uphold Mrs U's complaint. They didn't think that the payment Mrs U made was so unusual that Wise shouldn't have processed it in line with her instructions. They were also satisfied with the actions it took in relation to the recipient's account.

Mrs U didn't agree – she said that she didn't understand why a fraudster was allowed to have an account with Wise and it ought to have been able to recall the payment, particularly as she'd contacted it as soon as she was aware of the fraud.

As no agreement could be reached, the case was 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.

There's no dispute that Mrs U authorised this transaction and that means that under the Payment Services Regulations 2017 she 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 make 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.

This was the first transaction Mrs U instructed Wise to make, so it had nothing to compare the activity against. The amount, though clearly not insignificant for Mrs U, isn't so high that I'd expect Wise to conduct any further checks before processing the payment. Given the nature of Wise's business – specialising in international payments – I can't fairly say the fact this payment was international would have given it any cause for concern either. Overall, I can't see any reason why Wise might have thought this payment was being made as a result of a scam.

Mrs U has raised a number of points since our investigator's assessment about the recipient's account and Wise's actions in relation to it. I can't see that these points were raised previously but, even if they were, a complaint about Wise's actions in its capacity as a receiving firm would need to be considered as part of a separate complaint.

Payments of this nature cannot simply be reversed, but I can consider as part of this complaint what Wise did to recover Mrs U's funds. In this case, the payment wasn't reported as fraudulent until some weeks after it took place, at which point the overwhelming majority of Mrs U's funds had already been spent by the recipient. So, no action by Wise could have led to the recovery of the funds that had already left the recipient's account.

Though the payment Mrs U made went to another Wise account, the recipient was not a customer of Wise Payments Limited, but rather its entity for some European customers – Wise Europe SA. That means I can't compel Wise Payments Limited to return the small amount of money that remains in the recipient account as it doesn't technically hold those funds. Neither can I assess whether Wise Europe SA's conditions for returning those funds are fair, as that entity doesn't come under our jurisdiction.

But, Wise (presumably on behalf of its European entity) has said that it would consider returning the funds if it receives a formal notification of the fraud from Mrs U's bank (rather than an indemnity). For the reasons I've explained, I can't ask Wise Payments Limited to do anything further in relation to this.

I know this will be very disappointing for Mrs U and I'm very sorry to hear about the impact this matter has had on her, but I don't think Wise made an error in processing this payment and I haven't found any other reason why it should be responsible for refunding it.

My final decision

For the reasons I've explained, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs U to accept or reject my decision before 8 June 2022.

Rich Drury
Ombudsman