

The complaint

Mrs S is unhappy that Wise Payments Limited (“Wise”) didn’t reimburse her for her loss after she was the victim of a scam.

What happened

In August 2021 Mrs S was looking for accommodation for a holiday online. She found two apartments advertised that were suitable and made arrangements to pay the rental company. To do this, she transferred money to her Wise account to make an international payment of 1,475 euro.

Shortly after completing the transfer Mrs S searched online and discovered several negative suggestions the authentic travel company she thought she’d been dealing with had been ‘cloned’ and individuals had been tricked into sending money to a scammer. Unfortunately this is what had happened in Mrs S’s case.

She contacted Wise to report she’d been the victim of a scam and asked it to reverse the payment, which wasn’t possible as the transaction had already been carried out and the money had left the account. It contacted the international bank that had received the money to try and recall it, but this was unsuccessful and Mrs S’s money couldn’t be returned.

Mrs S was unhappy with this and felt Wise should’ve done more, such as carry out checks for her before sending the money. She was also unhappy it hadn’t been able to immediately recall the funds and felt she had contacted it soon enough for it to do this. She brought the complaint to our service to consider. Our investigator didn’t uphold the complaint. Because Mrs S didn’t accept this the complaint has been passed to me to make a 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.

Could Wise have prevented the payment being made?

The Payment Services Regulations 2017, alongside Wise’s own terms and conditions, indicate that it should execute and authorise payment instructions without undue delay. And as a starting point there is a presumption that liability for authorised payments is on the payer, even where it might’ve been made as part of a scam.

There’s no dispute in this case that Mrs S authorised the payments and so as a starting point this means she’s liable for them. Ultimately, she is responsible for ensuring payments are genuine before she authorises them, which includes carrying out any reasonable checks around who she is paying. And I’ve noted in this case that when Mrs S did carry out these checks, by carrying out an online search, she discovered the situation was likely a scam. Unfortunately she didn’t carry out the checks until after the payment was made.

But, the relevant law and regulations – plus good industry practice and Wise’s own terms and conditions – suggest it has a duty of care to protect its customers against the risk of fraud and scams so far as reasonably possible. And if it reasonably ought to have identified a risk and failed to prevent a loss, I think it might reasonably be liable for this.

Mrs S has said Wise ought to have checked who she was paying and has indicated that it could’ve found the negative reviews which made it clear the payment she was making was part of a scam. But I don’t agree.

Where Wise reasonably ought to have identified activity that might be an indication of fraud or a financial crime I think it does have a responsibility to do more to verify the transaction with its customer and satisfy itself as far as it can they aren’t at risk. But I don’t think the payment Mrs S made reasonably ought to have appeared to be a risk to Wise. So I don’t think it needed to do anything more than accept her genuine authorisation of it.

Mrs S appears to have opened an account with Wise for the sole purpose of sending this payment to the scammer. It’s not unusual for customers to use Wise accounts solely for one off international payments. This is a large part of what its service exists for and, as Mrs S has said herself, the rates offered were competitive which is why she chose to use Wise. So I don’t think her use of the account ought to have appeared significantly unusual to Wise. I also don’t think the amount Mrs S sent was so significant it ought to have raised concerns. I think it’s in line with what a reasonable person might spend from time to time when paying for something like a holiday, which is what Mrs S thought she was doing.

Overall, I don’t think this payment reasonably ought to have appeared to be an indication of a scam. So I think Wise has acted reasonably in following Mrs S’s payment instruction.

Did Wise act reasonably in trying to recover the money?

Mrs S has said she contacted Wise a few hours after she made the payment and thinks it’s unreasonable it was unable to stop it being made. Unfortunately, the money had already left her account. So it wasn’t a case of Wise simply stopping or reversing it. It needed to contact the international bank which had already received the money and ask it to return it.

I think it’s reasonable to expect Wise made attempts to try and recover the funds, which I can see it did here. It contacted the international bank on 23 August 2021, three days after the payment was made, to ask for its return. The receiving bank responded on 14 September 2021 to say funds couldn’t be returned.

International banks aren’t subject to the same regulations or obligations as UK banks are. When a payment is disputed or reported as fraudulent, they aren’t obliged to return this money or even respond. In this case it did respond but confirmed the money could not be returned and I wouldn’t have expected Wise to do anything further. I don’t think it’s likely this response would’ve been any different had Wise contacted it sooner than it did so overall I don’t think the three days it took to contact the receiving bank has likely resulted in any loss.

I’m sorry Mrs S has been the victim of a scam, I understand this has been difficult for her. But Wise isn’t responsible for her loss, so I won’t be asking it to take any further action.

My final decision

I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 21 July 2022.

Faye Brownhill
Ombudsman