

The complaint

Mr T complains that Wise Payments Limited won't refund money he was tricked into transferring to a fraudster.

What happened

A friend introduced Mr T to an online scheme which involved carrying out tasks to earn money.

He made a number of investments into this scheme, using his Wise account, between 7 and 12 February 2022. In total he invested £11,600, of which £2,000 was recovered by Wise and returned to him.

After the online scheme became inaccessible to Mr T, he reported the matter to Wise. It said that as he'd carried out the transactions himself he was responsible for them.

Mr T, through a representative, referred the matter to our service. He argued that the transactions which took place were so out of character and unusual that Wise ought to have intervened before allowing them to proceed.

The matter was referred to our service but one of our investigators didn't uphold the complaint. They didn't think the disputed activity was remarkable enough for Wise to have questioned the payments. They also questioned whether any intervention would have made a difference to Mr T's decision to proceed with the transactions.

Mr T's representatives disagreed. They pointed to the fact that most of the payments were twice as large as any others which had recently taken place on Mr T's account, there were multiple payments totalling over £10,000 and that, in their view, the activity matched a known pattern of fraud.

They also argued that, had there been an intervention, Wise ought to have found the fact that Mr T was paying to take part in the scheme very suspicious.

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 Mr T authorised these transactions and that means that under the Payment Services Regulations 2017 and the terms of his account 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 make additional checks, before processing a payment, or in some cases decline to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

I've reviewed Mr T's Wise statements for a period of six months before the scam took place. I can see that Mr T regularly receives payments and tops up the account, either to fund his everyday spending or, seemingly, to make specific payments.

For example, in January 2022, Mr T received a £1,000 payment from one of the accounts that was used to fund the fraudulent transactions and he immediately paid out the same amount to a third party. Two days later he received another £1,000 into the account, paid out half of that money to a third party and kept the rest for general spending. It also appears that Mr T often makes payments to new or occasional payees. So, the disputed payments followed largely the same pattern as previous transactions with each payment funded by a credit to the account.

While I accept that the amounts of the payments are higher than had previously been made, I need to take into account the difficult balance that Wise needs to achieve between protecting customers from financial harm and not unduly hindering genuine transactions. Taking that into account, I don't think the size of the payments was sufficient to cause Wise concern.

I've also considered the fact that, by the time Mr T came to make three payments totalling £5,600 on 12 February 2022, he was paying an existing (albeit recently created) payee. While this activity was, perhaps, developing into a concerning pattern, I don't think it had reached the point where Wise ought to have asked further questions.

Overall, I don't think that the disputed activity that takes place in February 2022 is sufficiently different from other activity on the account that Wise ought to have been concerned about it and taken further action before allowing the payments to proceed..

I've also looked at Wise's attempts to recover Mr T's funds. I requested further information from Wise and it has informed me that, in addition to the £2,000 already recovered, a further £7,213 has now been recovered from a third-party firm and returned to Mr T. I'm satisfied that Wise made reasonable efforts to recover his money and I'm pleased that this amount has now been returned, though I recognise that it will still be disappointing for Mr T not to have his full funds returned.

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 Mr T to accept or reject my decision before 21 October 2022.

Rich Drury
Ombudsman