

The complaint

Mr L complains that Wise Payments Limited won't refund money he lost as a result of a scam.

What happened

Mr L fell victim to an investment scam. He believed that he was funding a legitimate investment, but it later transpired that the person he was dealing with was a fraudster. Between February and May 2021, Mr L sent five payments totalling over £8,000 to a bank account in another country using Wise's services.

Mr L reported the matter to Wise in early 2022 and it attempted, but failed, to recall his funds. Mr L said Wise should be responsible for his loss because it had failed to undertake proper due diligence on the transactions and him as a customer.

Wise said that it was Mr L's responsibility to undertake due diligence in relation to the beneficiary and it couldn't be held responsible where a payment is sent to a fraudulent recipient. It said that it had no reason to think that Mr L was at risk of financial harm from fraud when he made the payments.

Mr L referred the matter to our service but one of our investigators didn't uphold it. They agreed with Wise that there was nothing particularly unusual about the activity Mr L was undertaking and Wise couldn't reasonably have been expected to stop it.

Mr L asked for an ombudsman to review the complaint. He explained that he was in some very difficult personal circumstances, including financial difficulty.

So, the complaint 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 L carried out the transactions in dispute, albeit under deception. Under the relevant regulations – the Payment Services Regulations 2017, that means he is responsible 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'm very sorry to hear about the circumstances Mr L finds himself in, but I'm afraid that I can see no reason to hold Wise responsible for his loss. I'll explain why.

Mr L didn't hold an account with Wise prior to the scam-related payments. It is a business which specialises in international payments and although it provides accounts which can be used for everyday spending, this is not how Mr L was using its services. Instead he instructed it to make a series of one-off payments over a period of a few months. It's likely that many customers of Wise will use its services in this way – to occasionally make an international payment if and when the need arises.

The amounts of money Mr L sent, while clearly not insignificant, don't on their own suggest any heightened risk of fraud and the payments, rather than being in quick succession, took place over several months. I also can't see that Wise knew anything about the recipient of the funds that ought to have given it cause for concern.

All of this means that, without any interaction between Mr L and Wise during the period the transactions were made, I can't see any reason why Wise would have suspected Mr L was falling victim to a scam and I don't think it had any reason to intervene and question the payments before they were made.

I wouldn't expect Wise to question every customer about each payment they intend to make, such an obligation would be extremely onerous. There's also no question that Mr L was who he said he was and all of the money he transferred was legitimately his own. Considering those facts and what I've said about the value and pattern of the transactions, I see no reason for Wise to have had concerns about money laundering either.

I think that the only way this scam could have been prevented by Wise is if they had questioned Mr L about the payments before they were made. As I think that obligation is only engaged where it had reasonable grounds to suspect fraud, I don't think it has made a mistake here by not doing so.

Finally, in relation to the recovery of funds, I can see that Wise contacted the receiving bank in order to try and recover Mr L's funds. It might have done this a little earlier, but I'm afraid that recalling money that has been sent internationally, particularly when there is a delay between the transactions taking place and the scam being reported, is rarely successful. In this case, the receiving bank said that its account holder had not responded to its requests. The implication of that response is that any recall was going to be dependent on the consent of the beneficiary which, for obvious reasons, was never going to be obtained.

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 L to accept or reject my decision before 13 February 2023.

Rich Drury
Ombudsman