

The complaint

Ms W is unhappy that Wise Payments Limited won't refund money she lost as a result of a scam.

What happened

Ms W agreed to the long-term rental of a property. She believed that the arrangement was taking place through a well-known and legitimate property rental website. In fact, she'd been deceived into making the payment outside of the legitimate website's platform and, unfortunately, to a fraudster.

Ms W transferred £2,100 to Wise (from her bank account at another financial business that I'll call L) and instructed it to make a payment to a bank account in another country.

When the fraudster cut off contact, Ms W realised she'd been the victim of a scam. She reported the matter to both Wise and L. Wise said that it couldn't be held responsible for her loss as it wasn't for it to vet the recipient of a transaction. It said that it would have no reason to have concerns about the payment Ms W made given its size and nature. It did, however, attempt to recall the payment, but this attempt was unsuccessful.

L refunded half the money Ms W lost - £1,050. It decided that Ms L was eligible for reimbursement under the Lending Standards Board Contingent Reimbursement Model Code ("CRM Code"), but it later realised the CRM Code didn't apply to the transaction Ms W made as her money had not gone to another person in the first instance.

Ms W, represented by her father Mr W, referred the matter to our service. One of our investigators looked into the complaint but didn't uphold it. They agreed with Wise that there would be no reason for it to consider the payment suspicious and that it had done what it could to try and recover the payments.

Mr W disagreed. In summary he said:

- Wise is advertised as completely secure, so it ought to reimburse Ms W. He provided screenshots to demonstrate this.
- It failed to carry out proper vetting of the accounts used by fraudsters.
- Wise shouldn't escape liability because it had failed to sign up to the CRM Code.
- Recent case law clearly shows that financial businesses do have obligations in relation to fraudulent transactions.
- Wise's complaint handling was poor, and it shouldn't have dealt with the complaint entirely through emails.

Despite a further response from our investigator, no agreement could be reached, so 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 Ms W instructed Wise to make the payment, albeit under deception. Under the relevant regulations – the Payment Services Regulations 2017 – that means she 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.

Mr W has pointed to recent case law to support his position. As I've set out above, I accept that Wise had obligations to be on the lookout for out of character and unusual transactions, but the question I need to consider is whether there were grounds for it to suspect fraud.

Ms W hadn't made any payments using her Wise account before she made the payment which is the subject of this complaint. Wise is a business which specialises in international payments and although it provides accounts which can be used for everyday spending, this is not how Ms W was using its services. Instead she instructed it to make a single payment. It's likely that many customers of Wise will use its services in this way – opening an account only when the need to make an international payment arises.

The amount of money Ms W sent, while clearly not insignificant, doesn't in and of itself suggest any heightened risk of fraud. I also can't see that Wise knew anything about the recipient of the funds that ought to have given it cause for concern (an account which was neither held by Wise, nor would it have had any control over).

All of this means that, without any interaction between Ms W and Wise before the payment was made, I can't see any reason why Wise would have suspected Ms W was falling victim to a scam and I don't think it had any reason to intervene and question the payment before it was made.

The CRM Code is a voluntary code and Wise is not a signatory. But, as our investigator has mentioned, the CRM Code, in any case, only applies to domestic payments. So, even if Wise were a signatory, this payment would not be covered under the CRM Code. As already noted, L eventually realised that the payment from Ms W's bank to Wise was not covered under the CRM Code either and, had it realised that at an earlier point, Ms W is unlikely to have received any reimbursement at all.

Mr W has provided in evidence various screenshots which, he argues, show that Wise made claims about the security of the accounts it provides. But, I haven't seen anything within those screenshots that amounts to a claim that it would refund all instances of authorised

fraud and I don't think such a claim could be reasonably inferred from those screenshots either. I further note that, in any case, many of the claims he's pointed to don't actually appear to have been authored by Wise.

Wise attempted to recall the payment within a few days of the matter being reported. While it might have done this a little sooner, the beneficiary did not respond, so it's very unlikely any earlier action would have made a difference. Unfortunately, the chance of recovering funds which are sent internationally is very low and, in my experience, often reliant on the consent of the beneficiary account holder.

Finally, Mr W has mentioned unhappiness with Wise dealing with the complaint entirely through email. I'm unable to see that, at the time the complaint was raised, he or Ms W expressed any unhappiness about the communication method or requested an alternative and I'm satisfied Wise provided a response (albeit a slightly informal one) to Ms W's complaint well within the time period it had to respond.

While I'm sympathetic to the circumstances Ms W finds herself in, I'm afraid that I can see no reason to hold Wise responsible for her loss.

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 Ms W to accept or reject my decision before 14 February 2023.

Rich Drury
Ombudsman