

The complaint

Mr W complains that PrePay Technologies Limited didn't do enough to prevent him losing money to a scam.

Mr W has brought his complaint with the help of a representative, but for ease of reading I'll mostly just refer to Mr W himself and will ascribe the representative's comments to him.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

In January 2022 Mr W was sadly the victim of a scam. He was called by someone impersonating PrePay and was tricked into making three payments totalling £7,800. The scammers knew a lot about Mr W and presented a convincing situation telling him that his account was under threat, and he needed to move his funds to a 'safe account'.

As a result of this Mr W set up a new payee and made the following payments from his PrePay account:

Time and Date	Amount	Recipient Bank
5 January 2022 4.14pm	£4,900	'M'
5 January 2022 4.24pm	£2,500	'M'
5 January 2022 4.31pm	£400	'M'

When Mr W later realised he'd been the victim of a scam he reported this to PrePay. Ultimately PrePay declined to offer him a refund. They also said they'd been in contact with M. It appears that only a nominal amount (around £1.50) remained in the recipient account and it's unclear whether this has already been returned to PrePay and then Mr W. A complaint was made and when PrePay maintained their position the matter was referred to our service.

One of our Investigators considered the complaint and thought it should be upheld. Because she thought PrePay should have intervened in the first payment and that this would have resulted in the scam being discovered, she recommended that they provide Mr W with a full refund plus 8% simple interest. Mr W accepted this outcome but PrePay didn't. They said they agreed they should have done more in relation to the second and third payments. But they felt liability should be shared with M and they offered to refund Mr W 50% of his loss. This offer was later shared with Mr W who didn't accept it. As agreement couldn't be found, the complaint was passed to me to decide.

In July 2023 I issued a provisional decision in which I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I've reached a different outcome to that of our Investigator. So, I'm issuing this provisional decision to give both sides a further opportunity to comment prior to finalising my decision.

There are various longstanding obligations which mean firms like PrePay should be alert to the potential of fraud and scams and that they should act in their customers best interests. But there are clearly competing demands between stopping and checking payments and allowing customers free access to their funds. I've thought carefully about this complaint in light of those competing priorities.

When Mr W set up a new payee and instructed the first payment for £4,900 this wasn't something he regularly did and differed in relation to how he used his account month on month. This was also a greater sum than he commonly sent from his account. But in the circumstances of this complaint and Mr W's prior usage of his account, I don't think this was sufficiently unusual that I'd have expected PrePay to have done more before following the instructions Mr W provided. Over a period of time, it isn't uncommon for customers to occasionally instruct payments over and above their usual monthly expenditure. There were no further risk factors such as the payment going to a business associated with pre-paid cards or cryptocurrency. The payment also didn't drain the account, leaving a significant balance of around £3,000 at the time.

But by the time Mr W instructed the second payment a few minutes later, I think the threshold was crossed where it's reasonable to have expected PrePay to have stopped that payment and taken some further steps. By this point there was a second significant payment being requested almost immediately after the first to the same newly setup payee. The cumulative value was also up to £7,400 and the account balance had been significantly reduced leaving only a few hundred pounds remaining.

I'd have expected PrePay to have made contact with Mr W to ask about the purpose of the payment he was instructing. And given Mr W believed he was already dealing with PrePay, I think the impersonation scam would have soon come to light and the second and third payments wouldn't have been sent. As such I think PrePay should refund the total of the second and third payments, £2,900. And as Mr W has been without this money since losing it to the scam, they should add 8% simple interest (yearly) to that amount.

I've considered whether Mr W should bear some responsibility for his own loss due to contributory negligence such that I should make a reduction in my intended award. But in the circumstances of this complaint, I'm not persuaded I should. I don't think Mr W reasonably could or should have known that he wasn't dealing with the genuine PrePay when instructing the payments relevant to this complaint – it seems he was taken in by a convincing and compelling scam.

I'm aware that PrePay have offered Mr W 50% of his loss and that this is greater than my intended award. It is a matter for PrePay as to whether they still wish to honour this offer to their customer Mr W. But as I only think PrePay ought to have stopped the second and third payments, that's all I intend to require them to pay.

For completeness, the evidence from M shows that the funds were moved from the recipient account very promptly. So, I don't think there were any failings by PrePay which impacted what could be returned. I also don't think it's likely the scam coming to light sooner would have impacted whether any of the first payment remained available for recovery. It's most

likely this would have been moved on in the time it would have taken PrePay to contact M and for them to action the notification.

My provisional decision

For the reasons outlined above, but subject to any further information I receive from either Mr W or PrePay Technologies Limited, I intend to uphold this complaint.

I intend to require PrePay Technologies Limited to pay Mr W £2,900. PrePay may reduce this by the amount (if any) already received from M and returned to Mr W (as long as the recovered funds came from payments two or three). 8% simple interest (yearly) should be added to the amount to be paid to be calculated from the date of loss to the date of settlement."

PrePay responded and said they accepted my provisional decision. Mr W disagreed and made some further points which I'll address below.

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.

Mr W has highlighted the British Standards Institute's (BSI) PAS 17271 (2017) – Protecting Customers from Financial Harm from Fraud Code which he says supports his position that PrePay ought to have intervened in the first payment. I've considered this, but it doesn't change my mind as to the point at which I think it was reasonable to expect PrePay to have done more.

Mr W also mentioned Confirmation of Payee (CoP). This is a scheme through which the sender of funds can check whether the name on the account they are sending money to, matches what they expect. However, at the time of these payments, it was not mandatory for PrePay to have this system in place (and they've confirmed they didn't). So, whilst I agree CoP is useful to combat the type of scam Mr W fell victim to, I can't fairly criticise PrePay for not having it in place at the time, when there was no requirement for them to do so.

Overall, nothing Mr W has submitted has persuaded me to deviate from the outcome explained in my provisional decision.

My final decision

For the reasons outlined above, my final decision is that I uphold this complaint.

PrePay Technologies Limited must pay Mr W £2,900. PrePay may reduce this by the amount (if any) already received from M and returned to Mr W (as long as the recovered funds came from payments two or three).

8% simple interest (yearly) should be added to the amount to be paid and should be calculated between the date of loss and the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 20 September 2023.

Richard Annandale
Ombudsman