

The complaint

A company which I'll refer to as S, complains that Advanced Payment Solutions Ltd (trading as Cashplus) didn't do enough to prevent S losing out financially as a result of an authorised push payment fraud.

What happened

The background to the complaint is well known to both parties and so I won't repeat it at length here. Briefly, in early 2021, S was evaluating a number of used construction machinery suppliers for the purchase of a crane. They were contacted by a company which I will refer to E. Then followed a series of correspondence between S and E. In February 2021 S agreed to buy a crane from E and made a payment of about £26,000 as a deposit for the purchase. The balance was to be paid upon delivery of the equipment. The crane did not arrive. The seller gave various excuses for the delay but ultimately the crane was never delivered. S says the seller was a fraudulent person.

S initially complained to National Westminster Bank Plc as the money was paid into a NatWest account. However, NatWest confirmed that it merely provided banking services to Cashplus and the complaint should be directed against Cashplus as the payment went to a customer of Cashplus.

Cashplus considered the complaint and said that it made no error. It said that it wasn't notified of the scam until October 2021 and unfortunately by that time no funds remained in the beneficiary's account.

One of our investigators reviewed the complaint and concluded that it could not be upheld. They said:

Our service is governed by certain rules which can be found in the Financial Conduct Authority's (FCA) handbook under the Dispute Resolution Rules (DISP). These set out, amongst other things, who can bring a complaint to us, against which business, and about what.

Under our rules, we are able to consider a complaint from the victims of authorised push payment scams about the payment service provider that received the funds (in this case Cashplus). However, we are only able to consider events complained about that happened on or after 31 January 2019.

S has complained that Cashplus allowed a fraudster to open an account in the first place, and latter failed to prevent the scam from happening.

The relevant beneficiary's account was opened before 31 January 2019 and therefore we are unable to consider that part of the complaint. However, we can consider S's complaint that Cashplus failed to spot and prevent the scam from happening following S's payment, as that happened in 2021.

Having considered that part of the complaint, the investigator was of the view that it could not be upheld. They noted that when the amount was received from S into Cashplus customer's account, Cashplus intervened and questioned their customer about the payment. The customer was able to provide adequate evidence to the satisfaction of Cashplus that the payment was meant for them. Therefore, the investigator concluded that Cashplus could not have done more.

S did not agree. They said that it isn't acceptable that Cashplus could simply rely on their customer providing falsified documents. They said that Cashplus ought to have contacted S and made them aware that its customer doesn't usually receive large payments, and so S should have been made to explain on what basis they were paying such an amount. They feel if Cashplus had done that the scam would have come to light.

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.

Cashplus has provided relevant information to our service to allow us to investigate this complaint. I am limited as to how much I can share because it relates to a third-party account. But I'd like to assure that I've carefully reviewed everything before reaching my decision.

Having reviewed the submissions, I agree with the conclusions reached by the investigator essentially for the same reasons.

This appears to be a sophisticated scam where S were tricked into believing that they were dealing with a genuine supplier. I am sorry for the loss this caused to S but what I need to decide here is whether Cashplus ought to have done more to prevent S's loss.

As noted by the investigator, Cashplus did question their customer about the payment from S but they were able to provide documentation to show that the payment was intended for them.

S says it isn't acceptable that Cashplus could simply rely on the documentation provided by its customer.

When we asked the director of S why they believed that the supplier was genuine, they explained that they had several communications with the supplier including various phone calls. They said that the supplier provided detailed specifications of the used cranes they were purportedly selling. The supplier also had a very elaborate website with a large selection of used construction machinery for sale. S further said that in the past they had purchased a number of machinery including used trucks, cranes and inventory from foreign suppliers and this followed similar procedure.

All of this suggests to me that Cashplus's customer would have been able to give a credible explanation to Cashplus about the receipt of the payment from S, and indeed they appear to have done so.

Thus, the situation was that the payment came from a legitimate company (S). The account number and payee name matched the payment instruction. The recipient was able to produce (their own) invoice and other documents and there was nothing suspicious about them as such. The payment was meant for the purchase of a crane. When the account opened a while back Cashplus's customer had said that they were in the business of

construction machinery. So, a payment towards purchase of a crane wasn't suspicious in itself. And whilst the payment from S was higher than the usual account activity, the account was fairly busy with incoming and outgoing payments. Also, there had not been any prior notifications or warnings that the beneficiary account was being used to misappropriate funds.

Taking all of the above into account, I can see why Cashplus was satisfied with the explanation given by their customer.

S says that Cashplus should have contacted them when it was verifying the payment with their customer. But a bank would usually take steps such as contacting the payer (via their bank) if it finds the transaction suspicious and needed further investigation. But in this instance the Cashplus didn't find the transaction suspicious. So, I am unable to conclude that Cashplus made an error in not contacting S.

As I said at the outset, it is clear that S had fallen victim to a sophisticated and callous scam. And I am very sorry that they had lost a considerable sum of money as a result. However, I am not persuaded that there was a failure on part of Cashplus that resulted in a financial loss to S. Therefore, I am unable to conclude that it reimburses S's loss.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 16 February 2023.

Raj Varadarajan
Ombudsman