

The complaint

Mr D complains that Wise Payments Limited trading as Wise won't refund the money he lost after falling victim to an investment scam.

What happened

Towards the end of 2019, Mr D was contacted by someone who told him they worked for an investment firm. Mr D was sent information about the investment proposals and decided to go ahead.

On 11 November 2019, Mr D opened an account with Wise and on the same day made his first payment of just under \$10,000 USD. He thought he was paying an agent of the investment firm based in Hong Kong, but sadly he was really paying a fraudster.

After making the payment, Mr D was given access to a platform showing the buying and selling of stocks had taken place. His initial investment appeared to be profitable.

Another representative of the investment firm contacted Mr D and told him there was a very lucrative trade coming up. Mr D was interested. He got his money together and on 12 December 2019 made a second payment to another account in Hong Kong for just under \$23,000 USD.

After making the second payment, Mr D explains that he got a feeling that things were not right. He did some online research and found information to suggest the investment firm was fraudulent. On 15 December 2019, Mr D contacted Wise to see if the payments could be cancelled.

Wise said that it was not possible to cancel the payments because they had been completed. Mr D complained and said Wise could have done more to protect him from the fraud. But Wise didn't agree.

Unhappy with Wise's position, Mr D contacted this service. Our Investigator looked into the matter, but she did not recommend it should be upheld. She said that the way Mr D used the account was in line with how this type of electronic money account is typically used. She didn't think Wise should have been on notice that there was a risk fraud might be taking place. She explained that Wise could not have stopped the payments as they had already been completed and the funds sent by the time Mr D got in touch.

Mr D wanted the Ombudsman Service to do more. He felt he was vulnerable and an easy target for the fraudsters.

He pointed out that the transactions were not flagged by Wise and it did not try to contact him before the payments were made. In summary, he thought the Ombudsman should follow the morality of the complaint and that Wise should bear responsibility.

As no agreement could be reached, the complaint has been referred to me.

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 D instructed Wise to make the payments, 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.

As I've set out above, 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.

Mr D opened his Wise account in order to make the payments which are the subject of this complaint. As it was a brand-new account, there was no previous activity for Wise to compare the disputed payments against. Nonetheless, I've thought about whether Wise should have been concerned about the activity which took place on Mr D's account.

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 Mr D was using its services. Instead he instructed it to make two single international payments around a month apart. It's likely that many customers of Wise will use its services in this way – opening an account specifically to make an international payment and then using the account infrequently and only when the need to make an international payment arises.

There is no question that the payment amounts were a substantial amount of money for Mr D. He's explained that this money was his life savings. But the amount of money Mr D sent, whilst clearly not insignificant, did not in and of itself suggest any heightened risk of fraud to Wise at the time the payments were made. Any payment Mr D would have made from a brand-new account would have been sent to a new payee. And the amounts couldn't be deemed as significantly out of character as Mr D hadn't made any other payments before. In addition, Wise did not have any information on its systems to suggest Mr D was otherwise at risk or vulnerable to fraud at the time.

I also can't see that Wise knew anything about the recipient of the funds that ought to have given it cause for concern (the accounts Mr D paid were not held by Wise, nor would it have

had any control over them).

All of this means that I can't fairly say the payments from Mr D's Wise account ought reasonably to have appeared suspicious or uncharacteristic enough to say that Wise ought to have intervened before allowing them through. This means I'm satisfied I can't reasonably say Wise missed an opportunity to prevent the payments before they were sent. I can't see any reason why Wise would have suspected Mr D was falling victim to a scam.

After the payments were made, I can't fairly expect Wise to have done anything further until Mr D notified it of the scam. It was disappointing to see Wise took three weeks to try to contact one of the beneficiary banks that Mr D paid to see if it could recover any of the money he sent. Whilst I think it would have been prudent for Wise to act sooner given what had happened, Mr D did not lose out as a result. The response I've seen from the beneficiary bank said it was unable to recover funds and suggested Mr D needed to contact the beneficiary directly.

I think it's very unlikely any earlier action from Wise 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.

Mr D has described the devastating impact this scam has had on his life and I don't underestimate how hard things have been for him as a result. This is a lot of money for anyone to lose so I do understand why he wants to do all that he can to try and recover it. But I can only fairly ask Wise to refund him if it is responsible for his loss. I'm sorry to have to disappoint Mr D, but I can't hold Wise responsible when I don't think it reasonably ought to have prevented the payments from being made. In addition, I've not seen anything to show that quicker action by Wise would have led to it recovering or otherwise reimbursing the loss.

My final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 23 May 2023.

Claire Marsh
Ombudsman