

The complaint

Mr B is unhappy PrePay Technologies Limited trading as Prepay Solutions won't refund money he lost as a result of a scam.

What happened

Monese is an agent of PrePay Technologies. As Mr B's customer relationship is with Monese, I've referred to Monese, rather than PrePay Technologies, throughout this decision.

On 24 September 2022 Mr B received a call from someone claiming to be from HMRC, they told him a warrant was out for his arrest regarding discrepancies in tax, and potential fraud. They said they'd written to him several times but that as he had not responded he was now at risk of arrest. Mr B was asked to provide details to verify his identity. Mr B was then told he'd be receiving a call from the Ministry of Justice, he checked the number he'd been told they would be calling from, and it did appear to be a legitimate Ministry of Justice phone number.

The caller claiming to be from the Ministry of Justice told Mr B there were various charges against him and that he would need to pay several sums regarding these charges, but that the money would be returned to him when he had proved his innocence. Mr B was told he was under surveillance and should download a program to his devices so that his calls and activity could be monitored.

Mr B was told to make one payment from his current account with another bank, he was then told to make all the remaining payments from his Monese account. In total he made ten payments to the scammers, the payment from his current account (which has already been refunded to him) and nine payments from his Monese account. The payments he made were to another account held at Monese by a third party.

When the refunds he'd been promised didn't happen and Mr B was unable to get back in touch with the person he'd spoken to, he realised he had been the victim of a scam. Mr B reported what had happened to the police, and tried to contact Monese by phone, when he was unable to get through to them, he emailed Monese. Monese ultimately confirmed that it would not be refunding any of the payments to Mr B as it had been unable to recover any of the funds.

Mr B was unhappy with Monese's response, so he referred his complaint to our service. One of our Investigator's looked into what had happened, they thought that Monese should have found the payments Mr B made to be suspicious and so asked questions about the nature of the payments before allowing them to take place. They considered that if Monese had done this then some of Mr B's loss would have been prevented.

Monese didn't agree. It said that, while it agreed the payments were out of character, Mr B was given multiple warnings about the possibility of scams but still chose to go ahead with the payments. It also noted that all the funds had been withdrawn by the recipient before Mr B notified it of the scam, so it could not have recovered any of the funds.

As no agreement could be reached, the case has been 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.

The starting position is that Mr B is responsible for transactions he's carried out himself (even as a result of deception). 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 Monese 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 made 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.

The amounts and timing of the payments Mr B made to the scammers were as follows:

£1.01	11:18 am
£1,591	11:24 am
£1,200	11:50 am
£600	12:47 am
£700	12:51 am
£90	13:24 pm
£800	13:27 pm
£700	13:36 pm
£903.29	13:39 pm

In this case I'm satisfied that Monese should have contacted Mr B before allowing the third payment to proceed. It was the third payment made to a new payee within approximately half an hour, the first payment had been for a very small amount, but by the third payment it was clear that Mr B was making large payments to this new payee which he was funding with large deposits from his own accounts elsewhere and with deposits from third parties. Although we have only a limited transaction history for Mr B's account, his payments were consistently low value. So I think there was enough going on here that the unusual activity should have flagged to Monese that something potentially untoward was happening.

Monese says that it did give Mr B warnings, which he chose to ignore, and it has provided examples of the kinds of warnings he would have seen. But those warnings are not detailed and are extremely generic, I don't think they would have done enough to flag to Mr B that he could be the victim of a scam. If Monese had contacted Mr B directly and asked him appropriate questions about what was happening, I think it's likely the scam could have been uncovered at this stage, preventing any further financial loss.

I say this because Mr B does not appear to have been told that Monese was involved in any fraudulent activity – he was actually told the opposite, that Monese was the only bank he used that was not involved in fraud – nor does it seem that the fraudsters prepared him for any intervention from Monese. I therefore consider it likely that he would have been open and honest with Monese if he had been asked more searching questions about what was going on.

I'm also not persuaded that Mr B should bear any responsibility for what happened. I can understand why, as a layperson, he would have been worried by the calls that appeared to be from HMRC and the Ministry of Justice, and he took steps to verify that the number he was being called from was a legitimate government number. Mr B was not aware of the possibility that such a phone number could be 'spoofed' by a third party, so I understand why he found this to be compelling. And Mr B's particular circumstances – he had moved house twice relatively recently and so felt it was likely he had missed post, and had been working in roles where he had not been asked to pay tax – meant that what he was being told by the scammers was believable to him.

I note what Monese has said about not being able to recover the funds, but given that I think Monese could have prevented the scam if it had stepped in when the third payment was requested, the attempted recovery of the funds is not relevant to my findings.

With all of this in mind, my final decision is that this complaint should be upheld and Monese should refund the disputed payments from the third transaction onwards.

In relation to interest, I think Monese should pay 8% simple interest per annum on £196 of this amount, as it was Mr B's own money (rather than money he had borrowed from friends) and would likely have been used for day-to-day spending. I am not recommending that Monese pay interest on the remaining amount.

Putting things right

To resolve this complaint Monese should:

- pay Mr B £4993.29, representing his loss from payment three onwards
- pay 8% simple interest per annum on the £196 of Mr B's own funds, calculated from 24 September 2022 until this complaint is settled.

My final decision

I uphold this complaint. PrePay Technologies Limited trading as Prepay Solutions should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 5 October 2023.

Sophie Mitchell
Ombudsman