

The complaint

Miss S complains that Squareup Europe Ltd (“Squareup”) won’t refund money she lost, after she fell victim to an Authorised Push Payment (APP) scam.

What happened

The background to this complaint is well-known to both parties, so I won’t repeat it all here. But briefly, and based on the submissions of both parties, I understand it to be as follows.

In November 2022 Miss S was approached, through a well-known social media platform, asking if she was interested in arranging a private conversation with a famous musician. But unknown to her at the time she was dealing with fraudsters, who persuaded her to make the following international payments, from her Squareup account, in the belief that the payments would help her to meet the musician;

1/12/2022	£500.00
7/12/2022	£500.00
13/12/2022	£400.00
20/12/2022	£500.00

Before making the first payment, on 24 November 2022, Miss S contacted Squareup, via its online chat service to ask if she’d get her money back if it turned out to be a scam. Squareup responded to Miss S informing her that it wouldn’t be able to reverse a completed payment. It went on to tell Miss S that the service it provided was intended for family and friends.

Miss S contacted Squareup again on 11 December 2022, saying that this was a scam and requesting a refund, of the payments she’d made by that time. But she then went on to make two further payments from her Squareup account, totalling £900.00, after the fraudsters persuaded Miss S again that things were genuine.

Miss S raised the matter with Squareup, but it declined her fraud claim. In summary, this was because it said it was unable to cancel or refund completed payments. Squareup was able to recover £4.20 of the money Miss S lost, which I understand is in the process of being returned to her.

Unhappy with Squareup’s response, Miss S brought her complaint to our service and one of our Investigator’s looked into things, but he didn’t think the complaint should be upheld. In summary, this was because he didn’t think Squareup did anything wrong when processing the first two payments.

Our Investigator did think Squareup ought to have blocked the third and fourth payments and spoken to Miss S before allowing them to be progressed, given that, by this point Miss S had told Squareup that she thought she was being scammed. So our Investigator didn’t think Squareup had done enough. But he noted that Miss S had already received a refund, from another banking provider, for the loss she suffered for these final two payments, so he didn’t consider it would be fair for her to receive another refund, given she hadn’t suffered any financial loss (for these final two payments).

As Miss S didn't agree with our Investigator's opinion, her complaint has been passed to me for a 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.

I'm sorry to hear Miss S was the victim of a scam. She has my considerable sympathy and I understand why she wants to do all she can to recover the money she lost. But I can only direct Squareup to refund Miss S's losses if it can fairly and reasonably be held responsible for them.

While we now know the account Miss S sent her funds to was controlled by a fraudster, the funds were paid to the account details Miss S had entered and therefore the transactions were requested and authorised by her. Because of this, Squareup had an obligation to follow her instructions.

But, taking into account the law, regulatory rules and guidance, relevant codes of practice and good industry standards, there are circumstances where it might be appropriate for Squareup, as an electronic money institute ('EMI'), to take additional steps or make additional checks before processing a payment in order to help protect its customer from the possibility of financial harm from fraud. For example, if a customer made a payment request for an amount that was out of character given the normal use of an account, I'd expect Squareup to intervene and ask questions about the intended transaction before processing it and provide a suitable warning.

Squareup has a difficult balance to strike in how it configures its systems to detect unusual activity or activity that might otherwise indicate a higher than usual risk of fraud. There is a delicate balance to be struck. There are many millions of payments made each day and it would not be possible or reasonable to expect a payment service provider to check each one. And, in situations where Squareup do intervene, I would expect that intervention to be proportionate to the circumstances of the payment.

I've thought carefully about Squareup's obligations in this case, particularly given that Miss S was a new customer without previous activity to compare her actions against. I accept that Miss S's use of Squareup's services was broadly in line with what it would expect – a customer opening and funding an account specifically to make international payments. So, the fact Miss S deposited money into her account and then sent that money on internationally is unlikely to have stood out as being remarkable, suspicious or unusual activity to Squareup, and it had no account history to compare the transactions against.

In this case, I don't consider Squareup acted unfairly or unreasonably in allowing the payments to be made. I'm mindful Miss S did make enquiries with Squareup before making the first payment, but all things considered I think Squareup's response, in answering her questions in the way it did was proportionate, given the individual circumstances of this case, and I'm not persuaded Squareup needed to do anything more, when processing the first two payments.

With regards to the third and fourth payments, I agree with the thoughts expressed by our Investigator within their view. I think Squareup ought to have done more and intervened before allowing these payments to be progressed, to satisfy itself that Miss S wasn't at risk of financial harm. However, given Miss S has received a full refund for these final two

payments from another payment service provider, it wouldn't be reasonable for me to make any further award.

It's very unfortunate Miss S has lost this money in this way, and I understand the whole experience has been deeply upsetting and I have a great deal of sympathy for her. But in the circumstances, I don't think I can fairly or reasonably say Squareup should refund her the money she sadly lost.

My final decision

My final decision is that I don't uphold this complaint against Squareup Europe Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 21 June 2023.

Stephen Wise
Ombudsman