

The complaint

Mrs N holds an account with Wise Payments Ltd. She was a victim of fraud. After travelling abroad, she returned to the UK in November 2020. In March 2021, the fraudster called her. He pretended to be from the UK Home Office.

The fraudster persuaded Mrs N that she had to pay several thousand pounds in extra fees and fines to stay in the UK. Mrs N transferred the money to an account the fraudster controlled, some through her Wise account and some direct from an account she had with a UK bank.

Mrs N thinks that Wise should have intervened to stop the payments from her Wise account. It didn't, so she wants it to refund the money she lost.

What happened

There is no dispute that the fraudster convinced Mrs N that he was genuine and legitimate. Amongst other things, he told her that she had filled out her landing card incorrectly and had to pay additional money immediately to avoid arrest and deportation.

The fraudster persuaded Mrs N to send him just under £6,500. As far as Wise is concerned, Mrs N made four separate payments with a total value of £4,554. The fraud took place on 24 March 2023. Details are as follows.

| Time of day | Amount (*) | Payment method | Recipient |
|-------------|------------|----------------|---------------------------|
| 12.41 | £300 | Transfer | Named UK personal account |
| 12.54 | £1,995 | Transfer | Named UK personal account |
| 13.01 | £570 | Transfer | Named UK personal account |
| 13.11 | £1,689 | Transfer | Named UK personal account |

Total amount £4,554

(*) During our investigation, we have seen slightly different amounts quoted for some of these payments. However, the differences are very small (a few pence) and not really significant. I have rounded all values to the nearest pound.

I understand that at the start of the fraudster's call, Mrs N did not have sufficient funds in her Wise account to make these payments, but that shortly before each transfer out, the fraudster persuaded her to transfer the relevant amount into her Wise account from a separate bank account she held.

I also understand that the phone call lasted at least an hour after the time of the fourth payment and that during this time the fraudster kept Mrs N engaged in conversation and asked for more money. Mrs N has told us that she had no more money available and so contacted a neighbour to ask for a loan. The neighbour told Mrs N that the caller was probably fraudulent, and Mrs N finished the call.

One of our investigators has already looked into Mrs N's complaint. In outline, the investigator didn't think Wise could have done anything to stop the first three payments but

should have acted to prevent the fourth. The investigator recommended that Wise should refund Mrs N half of the fourth payment and add interest.

Neither Wise nor Mrs N initially agreed with all of the investigator's findings. Mrs N wrote to us to say she thought Wise should pay her more than half of the fourth payment, but after further correspondence she accepted the investigator's recommendation. Wise didn't think it should refund anything and asked for the case to be re-assessed. So, it has come to me as an ombudsman to make 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.

Before discussing the details of Mrs N's case, I would like to say how sorry I am for what happened to her. The fraudster seems to have been particularly callous and to have played on her insecurities. As well as losing money, she must have suffered significant emotional upset at his hands. She has my sincere sympathy.

Clearly, the crux of this complaint is about what level of responsibility, if any, Wise should take for Mrs N's loss. Wise has told us that it's a "*money remittance and transfer platform*" (not a bank) and so isn't "*liable for the loss incurred*" as it "*can't be involved in sender/receiver disputes*". However, this complaint is not about a dispute between Mrs N and the receiver, or fraudster, it is between Mrs N and Wise.

Wise has added that the nature of its business means that its "*screening policy (for fraud) is different from a bank that would have a more holistic vision of its customers' spending*". I have not seen anything to show me that it told Mrs N that its screening would be less holistic before she chose to use its services. And, more significantly, although I accept that Wise is not a bank, I do not agree that this means it automatically has no responsibility for what happened to Mrs N. It is still subject to various laws and regulations. It has also sent us a copy of its terms and conditions, which say that it will do "*everything it can to keep customers safe*".

To expand on what I would expect Wise to do to keep its customers safe by helping to prevent fraud, the starting position in law is that a financial firm is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the terms and conditions of the customer's account.

However, taking into account the law, regulatory rules and guidance, relevant codes of practice and what I consider was 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 frauds 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 (amongst other things).

And if Wise saw anything worrying about a payment, or a pattern of payments, I would have expected it to contact the customer concerned to check if the customer really wanted to proceed.

In this case, there is no doubt that Mrs N followed Wise's normal procedures when she transferred her money to the fraudster. I accept that she only did this because of the fraudster's illegal actions, but in effect, she authorised Wise to move the money on her behalf. So, the critical question becomes whether there was anything sufficiently unusual about the payments that Wise ought to have intervened.

Mrs N does not seem to have made a great deal of use of her Wise account. The gist of Wise's position is that the four payments she made to the fraudster reflected the type of use for which its service is designed, and that it did not have sufficient grounds to intervene. It has specifically highlighted some transactions Mrs N had made a few months earlier (which were in an overseas currency and for larger amounts) to argue that there was nothing unusual about the payments Mrs N made to the fraudster.

I partially accept Wise's position about the payments. I think it's reasonable for the first three, but not the final one. By this time Mrs N was:

- Transferring a fourth payment into her Wise account in a very short period (the earlier transactions Wise highlighted had involved fewer transfers in).
- Making a fourth payment out of her Wise account in a very short period (the earlier transactions Wise highlighted had involved fewer payments out).
- Transferring four payments to a single personal account with which Wise has not shown she had any previous connection (the earlier transactions Wise highlighted had been to someone with a similar name, suggesting a family connection).

I think that this pattern was sufficiently unusual for Mrs N that Wise should have intervened before processing the fourth payment. Had it contacted her to alert her to potential fraud, I think it's highly likely that she would have withdrawn her authority for the final payment. After all, in only slightly different circumstances, this is broadly how she responded to her neighbour's comments.

While Wise has accepted that it didn't attempt to intervene, it has told us that even if it had tried to do so, it's unlikely that it would have been able to contact Mrs N as the fraudster had told her to "*isolate*" herself from external contact. I accept the fraudster did this, although I do not share Wise's certainty that Mrs N wouldn't have taken its call. Furthermore, I think Wise had sufficient grounds to hold the fourth payment while it checked things.

Wise has told us that at the time of the fraud "*scam prevention warnings were not an aspect of its internal tooling*", but it has since changed things and its "*tooling (now) suspends transactions when necessary*". I understand Wise's point to be that it has recently introduced a new procedure which will make it easier for it to put payments on hold if a similar situation to Mrs N's case arises in future. Assuming the new procedure works, I welcome it as an improved practice, but unfortunately it wasn't available to help Mrs N, so I can't take it into account in this case.

However, I think it would be unfair for Wise to bear the full cost of Mrs N's loss from the fourth payment. I think that the instructions the fraudster gave to her were so unusual that she has some responsibility for following them. There seem to have been several indicators that she was not dealing with the Home Office. These include:

- Making the payments to a personal account, not one which belonged to a recognizable government department.
- Having to make the payments through her Wise account when they could equally

well have been sent direct from her bank account.

- Making four separate payments when there was no significant reason why a single payment would not have worked equally well.
- Having to isolate herself from other contacts. (I accept the fraudster gave reasons for this, but it would be a highly unusual practice for the Home Office to follow).

Taking all these factors into account, I think it's reasonable for Mrs N and Wise to equally share the cost of the loss from the fourth payment.

Once Mrs N told Wise that she suspected fraud, I would have expected it to try to get her money back from the financial firm the fraudster used to receive it. This can often be difficult as once fraudsters receive money into an account they control, they often move it away quickly to prevent such attempts at recovery from succeeding. So, time is of the essence. Mrs N has told us that she contacted Wise "*almost immediately*" after the payments left her account, but Wise didn't take any action and told her that it was "*unable to get involved in disputes between senders and recipients*". Wise has since accepted it should have attempted to recall Mrs N's money at the time but didn't do so until many months later due to a "*human mistake*". It has paid Mrs N £100 in compensation for this mistake.

Despite Mrs N's recollection of when she reported the fraud to Wise, I think it was actually quite a bit later than she remembers, probably at least an hour later. From what she has told us, she didn't suspect fraud until after the conversation with her neighbour and only then reported the fraudster to Wise. We have been in touch with the firm the fraudster used to receive the money, and it has told us that "*the funds were depleted by 13.15 on 24 March 2023*". In other words, the fraudster had moved Mrs N's money beyond Wise's reasonable reach within around five minutes of the last payment. So, even if Wise had acted promptly, it probably wouldn't have been able to recover Mrs N's money for her. In these circumstances, I think the compensation Wise has already paid Mrs N for its mistake is reasonable.

So, in summary, I am very sorry to hear about the loss Mrs N suffered and the stress she went through. I think Wise should take 50% responsibility for the part of the loss which arose directly from the fourth payment. It should put things right for her by paying her appropriate compensation. I also think that Wise should have acted far more quickly to try to recover Mrs N's money after she reported the fraud. However, I'm satisfied that by the time Mrs N made her report, the fraudster had moved the money away from Wise's reasonable reach and it was already too late. So, I don't think it would be fair for me to tell Wise to pay Mrs N any further compensation for this delay.

Putting things right

To put things right for Mrs N, Wise should:

- Refund her half of the fourth payment (£845 to the nearest pound).
- Add 8% per year simple interest to the refund, from the date of the payment until the date it makes the refund.

My final decision

For the reasons I have set out above, I am upholding Mrs N's complaint about Wise Payments Ltd. If Mrs N accepts my decision, Wise must put things right for her in the way I have described.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N to accept or reject my decision before 21 September 2023.

Steve Townsley

Ombudsman