

The complaint

Mrs S complains that PrePay Technologies Limited (“PrePay”) didn’t do enough to prevent her losing money sent to two of its customers as a result of a scam.

What happened

The details of this complaint are well known to both parties, so I won’t repeat everything here. In brief summary, in December 2020 Mrs S sent payments totalling £3,760 from her accounts (not held with PrePay) to two accounts held with PrePay.

Mrs S then realised she’d been scammed. Ultimately, remaining unhappy when she didn’t recover her lost funds, she referred a complaint about PrePay to us. Investigators here looked into things, but Mrs S remained unhappy with PrePay and asked for an Ombudsman’s decision. This complaint has therefore been passed to me to decide. I sent Mrs S and PrePay my provisional decision on 4 August 2023, and now that both parties have had an opportunity to reply, I’m ready to explain my 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.

Having done so, I’ve reached the same conclusions as explained in my provisional decision, and for the same reasons. I don’t uphold this complaint in the main, although I’m satisfied PrePay should pay Mrs S £200 for distress and inconvenience. So I uphold this complaint in part. I’ve explained the reasons for my decision again below.

Let me say, first of all, I’m sorry to hear Mrs S has been the victim of a scam. I sympathise with the situation she has found herself in, and I understand why she thinks it’s unfair she should bear the loss. Ultimately Mrs S has suffered her loss because of fraudsters. I can’t reasonably ask PrePay to reimburse losses that resulted from the criminal actions of third parties unless its acts or omissions unfairly resulted in Mrs S’s loss. So what I have to decide is whether or not PrePay reasonably did enough to prevent, or respond to, the alleged authorised push payment (APP) fraud.

PrePay has shared relevant information with this service in confidence to allow us to discharge our investigatory functions and has provided that which is necessary for the determination of this complaint. But I’m also limited to how much of this I can share for the same reasons as PrePay. But I’d like to assure Mrs S I’ve carefully reviewed everything before reaching my decision.

I appreciate Mrs S feels PrePay should refund her loss as it allowed fraudsters to open and operate accounts. But an account later found to have been utilised to misappropriate funds doesn’t automatically entitle the payer (victim) to a refund nor does it mean that the recipient bank unreasonably failed to prevent the loss. What I need to consider is whether at the time of opening the accounts PrePay ought reasonably to have known that the accounts being opened would later be used fraudulently. And in the circumstances of this complaint, I’m

satisfied in terms of account opening procedures, checks and due diligence, PrePay's acts or omissions were not the cause of Mrs S's loss.

I've also considered whether there was anything prior to Mrs S's notification of fraud that ought to have alerted PrePay to the possibility of fraud. I'm satisfied none of the account activity ought to have stood out to PrePay as unusual or suspicious. So I can't fairly say PrePay missed an opportunity to prevent Mrs S's loss here either.

I'm also satisfied that PrePay has ultimately now returned the funds that were left in the recipients' accounts and available for recovery at the time it was notified of the alleged APP fraud. For the sake of clarity, that was £26.59 (which Mrs S has confirmed receiving), and £76.81 which I understand was returned via Lloyds.

However, when PrePay was alerted to the APP fraud, it ought to have acted quickly and appropriately. I'm satisfied for the same reasons as explained by our Investigator that PrePay failed to do so. In short, PrePay acted very slowly and gave inaccurate and contradictory information, leading, in my view, to unnecessary distress and inconvenience. I'm satisfied, for the same reasons as our Investigator, that PrePay should pay Mrs S £200 to compensate her for this.

I understand Mrs S will be disappointed by this, as she feels additional compensation is warranted, and she's reiterated this in her response to my provisional decision. However, for the reasons I've explained, I don't think PrePay missed an opportunity to prevent the fraud. And fraud of this type can be deeply upsetting, so I think this was always, once it had happened, going to be a distressing period for Mrs S. For the reasons explained, I can't reasonably hold PrePay responsible for the distress caused by the fraud. I'm also satisfied it has returned the funds from the accounts that were available for recovery at the time it was notified of the fraud. But I am satisfied compensation of £200 should be paid to reflect its mistakes in progressing things as quickly and accurately as it should have.

My final decision

For the reasons I've explained, I uphold this complaint in part, and I direct PrePay Technologies Limited to pay Mrs S £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 19 September 2023.

Neil Bridge
Ombudsman