

## **The complaint**

A company which I will refer to as B complain that Prepaid Financial Services Limited failed prevent a scam which B fell victim to, and then refused to reimburse the loss the company incurred as a result.

## **What happened**

Briefly, in July 2021, B's accountants received an email purportedly from B's director asking them to make two payments totalling £27,250. The accountants carried out the instruction and the money went to two different accounts with Prepaid Financial.

Shortly after it was discovered that this was a scam. B immediately contacted its bank. Unfortunately, their bank failed to contact Prepaid Financial in a timely manner and by the time they contacted Prepaid Financial all the funds had been removed from both the accounts.

B complained to both their bank and Prepaid Financial. Their bank accepted responsibility for the delay in contacting Prepaid Financial and offered to reimburse 50% of the sum lost. It said that there was some failure on the part of the company as well and so it wouldn't refund the full amount. B accepted their bank's offer but continued to pursue their complaint against Prepaid Financial.

One of our investigators considered the complaint about Prepaid Financial and said, in summary:

- In relation to the opening of the recipients' accounts, they haven't seen anything which they believe ought to have alerted Prepaid Financial to the fact that the accounts would later be used for fraudulent purposes.
- On being advised of the scam, Prepaid Financial moved to block the relevant accounts quickly but unfortunately no funds remained in the accounts by that time. So, it cannot be said that Prepaid Financial failed to act promptly in that regard.
- However, considering the account activities following the receipt of B's funds, it is reasonable to conclude that Prepaid Financial Services missed an opportunity to intervene and prevent the company's loss. So, it is fair that it compensates B for that failure.
- That said, there was some contributory negligence on part of B. Therefore, the company too should bear some of the loss.

By way of remedy the investigator noted that all parties involved (B, their bank and Prepaid Financial) could have done more to prevent and recover the company's loss. So, they said that the fair outcome here would be for all the three parties to share the loss. This meant that B's share of the loss would be £9,083 and the remainder (£18,167) to be borne by both B's bank and Prepaid Financial. Of this, B's bank had already reimbursed £13,625. Therefore, Prepaid Financial should pay B the balance of £4,542 together with interest.

B did not agree. They were of the view that they are being penalised for the fault of others. They said that just because their bank agreed to reimburse 50% of the loss, Prepaid Financial shouldn't get away with anything less.

Prepaid Financial did not respond to the investigator's opinion, despite reminders

### **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 agree with the investigator's conclusion, essentially for the same reasons. There isn't much for me to add to what the investigator has said.

Ultimately, it is a matter for Prepaid Financial as to how it chooses to configure its fraud detection systems and strike a balance between allowing its customers to transact business and questioning transactions to confirm they are legitimate. But where it is alleged that it didn't do enough to prevent a loss which resulted from an authorised push payment scam, I will look into the circumstances of the case and based on what I have seen, decide whether in that case Prepaid Financial could have fairly and reasonably done more.

Prepaid Financial has provided relevant information to our service to allow us to investigate this. I am limited as to how much information I can share because it relates to third-party accounts. But I'd like to assure B that I've carefully reviewed everything before reaching my decision.

Having reviewed the submissions, I agree with the investigator that the account activity surrounding the receipt of funds from B and their quick dispersal out of the accounts were suspicious. So, as noted by the investigator, it is reasonable to expect that Prepaid Financial looked into what was happening when the first payments, which were unusual to the normal account activity, went out of the accounts. Had it done so, the scam would more likely have to come light and Prepaid Financial would have been able to return the funds to B. Because it failed to do so, it should accept some responsibility for the loss.

I also agree with the investigator that there was some contributory negligence on the part of B (or their agent acting on their behalf). The director of B has explained that in this instance their accountants hadn't followed the usual procedure. In particular, when payments are to be made to new payees, the usual procedure is that the accountants are notified and backed up with an email and supporting documentation such as an invoice. The accountants would then call B to confirm the account details before making a payment. The director has explained that on this occasion the accountants did not follow the procedure. Because of this I agree that B should accept some responsibility for the loss.

I appreciate why B considers that Prepaid Financial should bear a higher proportion of the losses. I see that the investigator has looked at the overall picture and concluded that B should share a third of the total loss incurred. In instances like this, how the losses should be shared is never a matter of exact science, but in the circumstances, I am satisfied this is a fair and reasonable conclusion.

This means that B's share of the loss would be £9,083 (one-third of £27,250). The remainder (£18,167) should be borne by both B's bank and Prepaid Financial. Of this, B's bank has already reimbursed £13,625. Therefore, Prepaid should pay B the balance of £4,542 together with simple interest at 8% p.a.

It is usually the case that the receiving payment service provider is contacted soon after the scam and so it is our normal procedure to award interest from the date the receiving payment service provider was advised of the scam. In this case however B's bank took a considerable amount of time to contact Prepaid Financial. Nevertheless, I consider that with proper enquiries, Prepaid Financial would have been able to establish that this was a scam and potentially return the funds to B, say within a week or so of the transactions. So, I consider it fair that the interest is paid from 23 July 2021 (a week after the funds were received from B).

### **My final decision**

My final decision is that I uphold the complaint. For the reasons set out above, Prepaid Financial Services Limited should pay B £4,542 together with simple interest at 8% p.a. Interest should be paid from 23 July 2021 to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 27 October 2023.

Raj Varadarajan  
**Ombudsman**