

The complaint

Mr S complains that PrePay Technologies Limited trading as PrePay Solutions ('PrePay') won't refund him in full after he fell victim to a scam.

What happened

Mr S is represented in this case but for ease I'll refer to Mr S throughout my decision.

Mr S says that he was looking for a job through certain recruitment companies and received a message via a messaging app about a job with a company I'll call E in this decision. E was an e-commerce platform and Mr S was told he'd earn commission for completing tasks that would boost certain products. He was required to buy cryptocurrency and send it to a platform to release the tasks.

Mr S says that he made two small payments from another account and received £148 back. He was added to a group chat and saw messages from other people who said they had earned good money. E also had a customer support team that helped him to make deposits. Mr S was meant to complete 40 'missions' after which he was told he would get back the money he paid in plus commission.

Mr S made the payments in the table below. Recipients one to four were individuals Mr S bought cryptocurrency from via a peer to peer platform and F was a cryptocurrency exchange platform.

Payment	Date	Amount	Recipient
1	07/01/23	£170.82	Individual 1
2	07/01/23	£200.78	Individual 2
3	07/01/23	£391.50	Individual 3
4	12/01/23	£724.62	F
5	12/01/23	£1,300.60	F
6	12/01/23	£2,000.56	F
7	12/01/23	£4,200	Individual 4
	Total	£8,988.88	

Mr S realised he was the victim of a scam when he tried to make a larger payment that was stopped by PrePay. At this point he established that the genuine company E didn't have a platform or ask for payments to release tasks. He didn't report what had happened to PrePay but instructed a representative to send a letter of complaint in January 2023.

PrePay considered Mr S' complaint and said that Mr S authorised the payments and ignored the warnings it provided. It went on to say there was no evidence of fraud.

Our investigation so far

The investigator who considered this complaint recommended that it be upheld in part. He said that when Mr S made the payment of £2,000.56 PrePay should have picked up on unusual features about it and gone further than providing a generalised scam warning that didn't cover payments for cryptocurrency. In particular, the investigator referred to:

- the value of the transaction
- the pattern of increasing payments in a short timeframe from an account that had hardly been used in the 12 months before
- the fact it was clear the payment was for cryptocurrency
- the fact that before each transaction there was a credit to Mr S' account with the reference "BUY BITCOIN"

The investigator said liability should be split with Mr S from this point as the opportunity offered to him was too good to be true, there was no contract, reviews suggested it was a scam, contact with E was unprofessional, the payments were much greater than any return offered to Mr S and because it was clear that Mr S had concerns but didn't take further steps to allay his fears.

Mr S accepted the investigator's findings but PrePay did not. In summary, it said:

- Although incoming transactions had the reference "BUY BITCOIN" the outgoing transactions had the reference "FAMILY FRIENDS". When PrePay automatically stops payments it considers the reference for outgoing payments only and it's unfair and impractical to expect PrePay to give tailored warnings based on incoming payments.
- Excluding the three payments to F, the payments were all to separate individual accounts and each time Mr S set up a new payee he got a new payee warning.
- The only way the last two payments could have been stopped was by human intervention but there was no indication this was required.
- It warned Mr S to check this wasn't a scam before making the payment and he failed to do so.

The complaint has been passed to me to issue 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.

I'm sorry to hear Mr S was the victim of a scam and of the impact the scam has had on him. I can understand why he wants to do all he can to recover the money he lost. But I can only direct PrePay to refund Mr S' loss if it can fairly and reasonably be held responsible.

It is accepted that Mr S authorised the scam payments from his PrePay account. So, although he didn't intend the money to go to the scammers, under the Payment Services Regulations 2017 and the terms and conditions of his account, Mr S is presumed liable for his loss in the first instance. And under the terms and conditions of the account, where a valid payment instruction has been received PrePay's obligation is to follow the instructions that he provides.

However, taking into account the law, regulatory rules and guidance, relevant codes of practice and good industry practice, there are circumstances where it might be appropriate for a bank or electronic money institution like PrePay 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. An example of this would be if a payment instruction is sufficiently unusual or uncharacteristic for the usual use of the account.

Mr S's account was opened in 2018. I've considered his payment history for the 12-month period before the scam. Having done so, I'm not persuaded that the first five scam payments were so unusual or out of character that PrePay needed to do anything more than provide the generalised scam warning it gave each time Mr S set up a new payee. The transactions were for relatively small amounts and PrePay had no reason to know Mr S was buying cryptocurrency when he made the first three transactions because of the method used to do so (peer-to peer). As far as PrePay was concerned, Mr S was transferring funds to a named individual.

Although the fourth and fifth payments were to a cryptocurrency platform, they were relatively low in value, and I'm not persuaded PrePay ought to have taken any additional steps. There's a balance to be struck between identifying payments that could potentially be fraudulent and minimising disruption to legitimate payments. Whilst banks have obligations to be alert to fraud and scams and to act in their customers' best interests, they can't reasonably be involved in transactions like the ones Mr S made as to do so would cause significant disruption to many legitimate transactions.

By the time Mr S made payment six though, he'd already paid £2,025.22 to F and was seeking to make a third payment in the same day which would take the total value of the transactions to £4,025.78. All three of the payments were to a cryptocurrency exchange. This was significantly out of character given that all transactions in the 12-month period before the scam were for less than £50. A pattern of transactions consistent with a cryptocurrency scam had also emerged with payments increasing in value.

By January 2023 many leading firms had recognised that payments for cryptocurrency carry an increased risk of being related to a fraud or scam, particularly given the widespread media coverage and their experience, and placed blocks or restrictions on cryptocurrency related transactions. I consider PrePay ought reasonably to have been aware of this elevated risk and gone further than providing the kind of generalised warnings given to Mr S.

I'm not persuaded that the fact the payments were going to Mr S' own account and so appeared to be going somewhere safe and within his control should have satisfied PrePay that he wasn't at risk of harm. This is because by January 2019, banks had, or ought to have had, a good enough understanding of how these scams work – including that a customer often moves money to an account in their own name before moving it on again to the scammer - to have been able to identify the risk of harm from fraud.

I'm satisfied that if PrePay had gone further and provided a warning tailored to cryptocurrency scams the scam would have been uncovered at this point and Mr S' further loss prevented. Mr S was starting to have concerns about what he was being asked to do and the funds he had lost so I consider a warning would have resonated with him. It's also clear that if PrePay had intervened by asking Mr S more about the payment, as it did when he attempted to make a larger payment soon after the transactions listed above, Mr S would have answered any questions honestly. When the later payment was blocked Mr S said that he wasn't trading in cryptocurrency and that the payment was for work so he could get paid. So he didn't have a cover story and explained exactly what he thought he was making payments for.

I agree with the investigator that Mr S shouldn't receive a full refund of the final two payments for the following reasons:

- Mr S found out about the employment via a message sent from a messaging app. This channel isn't regularly used for legitimate employment opportunities. Although Mr S had registered with employment agencies there is no suggestion the role with E related to these registrations.
- There was nothing to link the platform used by the scammer with a genuine company.

- Mr S wasn't provided with any documentation and didn't receive a contract to show what was agreed between the parties. This was unusual and I think Mr S should have had concerns.
- The reason given for the payments wasn't plausible and I haven't been given a reasonable explanation for the need to pay in cryptocurrency.
- Mr S was told that the person who was supporting him earned £600 to £1,000 a day after nine months in the role. I consider Mr S ought reasonably to have had concerns about what he was being offered to complete simple tasks. This was too good to be true and I consider Mr S ought to have approached the opportunity with more caution as a result.
- Mr S didn't complete any independent research to satisfy himself the opportunity was genuine.

I'm satisfied PrePay should refund Mr S 50% of payments six and seven plus interest as set out below.

Overall, I'm sorry Mr S has lost money to a cruel scammer, but I can't reasonably hold PrePay responsible for the remainder of his loss.

My final decision

I require PrePay Technologies Limited trading as PrePay Solutions to:

- Refund Mr S £3,100.28
- Pay interest on the above amount at the rate of 8% simple per year from 12 January 2023 to the date of settlement.

If PrePay Technologies Limited trading as PrePay Solutions is legally required to deduct tax from the interest it should send Mr S a tax deduction certificate so he can claim it back from HMRC if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 11 December 2023.

Jay Hadfield
Ombudsman