

The complaint

Mr S complains Wise Payments Limited trading as Wise didn't do enough to protect him when he was the victim of a fraud.

What happened

Mr S, who is represented by a claims management company, has a number of accounts including an account with Wise.

On 13 October 2022 Mr S says he received a phone call from an individual claiming to be from HMRC saying that he was wanted for not paying a tax bill and tax evasion. He says he was told he'd have to pay refundable fees to clear his name. Mr S says he'd recently moved to the UK and so wasn't aware that this was a scam.

Mr S says he made five payments in total to an account whose details he was given. He says he did so having moved money to his Wise account from two other accounts he held – and he says that some of the money he moved was money he'd borrowed from a friend. He made payments totalling £10,905.

Mr S says he checked the number calling him belonged to HMRC and questioned how someone else had managed to steal his identity, which is what he'd been told had likely happened, before making any payments. He also says he was scared. Mr S says he got cut off after making the fifth payment and it was after this and after speaking to a friend that he realised he'd been scammed. He called Wise to say he'd been scammed.

Wise investigated what had happened and let Mr S know that it had taken steps to make sure any payments he made to the same account would in the future be blocked. Mr S subsequently complained saying that Wise should have intervened as the activity on his account was unusual. Mr S said he wouldn't have fallen victim to the scam had it done so.

Wise looked into Mr S's complaint and said none of the payments had seemed unusual and that it had, therefore, done nothing wrong. Mr S complained to us.

One of our investigators looked into Mr S's complaint and said that they thought Wise should have warned Mr S when he tried to make the third payment given the value of payments he'd sent by then, the time in which he'd sent them and the fact that they were all going to the same beneficiary. Our investigator thought that the scam would have been exposed had Wise done so. In other words, Wise missed an opportunity to prevent further loss to Mr S. In the circumstances, our investigator said that they thought Wise should refund £3,765 plus an additional 8% interest from 13 October 2022 until the date of settlement.

Both parties disagreed. Wise said there was no transactional history to go on and the amounts involved weren't unusual for it. Mr S said the second payment should have flagged as unusual. So, this complaint was passed to me.

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.

Last month I issued a provisional decision saying, in summary, that I thought that Wise should have provided a tailored warning to Mr S when he attempted to make the second payment. I said that had it done so I thought that Mr S would have realised that he was speaking to a scammer and wouldn't have gone ahead. In the circumstances, I said that I thought Wise should refund from the second payment onwards – in other words, a total of £6,231 – plus an additional 8% interest from 13 October 2022 until the date of settlement.

Both parties were invited to comment on my provisional decision. Mr S accepted my decision. Wise didn't reply.

In my provisional decision I said the following:

"In this case, I'm satisfied that Mr S made five payments on 13 October 2022 – of £4,674, £2,475, £951, £905 and £1,900 – and that there was no transactional history to go on. The payments were made at 14:54, 15:12, 15:24, 16:26 and 17:02 respectively. There appears to be no dispute that these payments went to a scammer who was impersonating HMRC.

Our investigator said that they thought Wise should have warned Mr S when he tried to make the third payment – as he'd sent over £7,000 in total to the same beneficiary in the previous half an hour by then. Mr S says Wise should have contacted him when he tried to make the second payment – as that would have taken the total that he'd sent to the same beneficiary to over £5,000 in less than twenty minutes. Wise says none of these payments flagged as unusual, nor should they have done given that it is a money remittance provider and payments like this aren't unusual for its customers.

I accept that payments that a bank might consider to be unusual won't necessarily be considered unusual by a money remittance provider because customers will often use a money remittance provider differently to a current account at a bank. In this case, however, I agree with our investigator that Wise should have contacted Mr S when he tried to make the third payment. Mr S hadn't used his account before, so Wise didn't have any historic account activity to compare the fraudulent pattern of transactions against. But I do think in this case there was enough to say the third payment was unusual. That's because the third payment took the total amount Mr S had sent to this new beneficiary to £8,100 in less than half an hour – the first payment was sent at 14:54 and the third one was sent at 15:24 – and three separate payments to the same beneficiary in less than half an hour isn't normal. One payment might be more normal, maybe two depending on the circumstances, but not three. I'd go further. In this case, I think the second payment – which took the total amount Mr S had sent to this new beneficiary to over £7,000 in less than 20 minutes – was sufficiently unusual to be of concern.

In cases where there are concerning or contradictory factors in the information available to the business, and the payment being sent is between £5,000 and £10,000 we'd expect a business like Wise to provide a tailored warning. In this case, given that the payments are so close together, I think Wise should have treated them as if they'd been one payment. I, therefore, think Wise should have provided Mr S with a tailored warning – as if Mr S had sent one payment of between £5,000 and £10,000 in circumstances that were concerning. The question I have to decide is whether, in this particular case, a tailored warning would have made a difference.

We'd expect a business like Wise to be aware of some of the most common types of scams. Two particularly common scams are HMRC scams and scams involving the police calling to tell people to transfer money to a safe account. Had Wise warned Mr S of those scams, I'm satisfied that he would have realised he was speaking to a scammer and not gone ahead and made any further payments. In other words, I agree with our investigator that Wise missed an opportunity to prevent further loss to Mr S. I think that should have happened when Mr S tried to make the second payment, however, rather than the third payment. In the circumstances, I agree that Wise should refund £6,231 plus an additional 8% interest from 13 October 2022 until the date of settlement."

Having re-considered everything, I remain of the view that Wise should have provided Mr S with a tailored warning when he attempted to make his second payment. And I remain of the view that Mr S wouldn't have gone ahead and made further payments had it done so. In other words, I remain of the view that Wise missed an opportunity to prevent further loss to Mr S.

Putting things right

Given what I've just said, I remain of the view that Wise should refund from the second payment onwards – in other words, a total of £6,231 – plus an additional 8% interest from 13 October 2022 until the date of settlement.

My final decision

My final decision is that I'm upholding this complaint and requiring Wise Payments Limited to refund from the second payment onwards – in other words, a total of £6,231 – plus an additional 8% interest from 13 October 2022 until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 5 January 2024.

Nicolas Atkinson
Ombudsman