

The complaint

Ms J complains that Wise Payments Limited trading as Wise did not refund a series of payments she lost to a scam.

What happened

Ms J was the victim of an investment scam, in which she was convinced to open an account with Wise and make the following payments to the scammer:

- 25/07/2022 - £5,000
- 15/08/2022 - £501
- 18/08/2022 - £10,001
- 19/08/2022 - £200
- 30/08/2022 - £19,675
- 31/08/2022 - £9,000

Shortly after sending the payments, the scammer took the funds and blocked all forms of communication with Ms J. She made a claim with Wise who, in summary, said that Ms J should have ensured the legitimacy of the person she was paying before sending the funds.

The complaint was referred to our service and our Investigator upheld it in part. They thought Wise should have intervened prior to the payment of £19,675 being processed and that the scam would have been revealed if they did. So, they recommended a refund from this payment onwards, along with 8% simple interest. But they also felt Ms J should bear some responsibility for the loss, as she could have done more to protect herself. So, they recommended a reduction in the redress of 50%.

Ms J disagreed with the outcome so the complaint was passed to me. I issued a provisional decision in which I came to a slightly different outcome. My provisional decision read as follows:

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

Broadly speaking, the starting position in law is that an account provider is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the terms and conditions of the account. And a customer will then be responsible for the transactions that they have authorised.

It's not in dispute here that Ms J authorised the payments as she believed they were part of a legitimate investment. So, while I recognise that she didn't intend the money to go to scammers, the starting position in law is that Wise was obliged to follow Ms J's instruction and process the payments. Because of this, Ms J is not automatically entitled to a refund.

The regulatory landscape, along with good industry practice, also sets out a requirement for

account providers to protect their customers from fraud and financial harm. And this includes monitoring accounts to look out for activity that might suggest a customer was at risk of financial harm, intervening in unusual or out of character transactions and trying to prevent customers falling victims to scams. So, I've also thought about whether Wise did enough to try to keep Ms J's account safe.

I've reviewed Ms J's statements to see if I think Wise should have flagged any of the payments as unusual or suspicious. In doing so, I've kept in mind that this was a brand new account, so there was no genuine account activity for Wise to compare the scam payments to. And that the kind of account Ms J opened with Wise is generally used for transfers to other countries, so the payment type would not necessarily have been unusual as standard.

In doing so, I think the first two payments were not so unusual that they required intervention from Wise, though perhaps a warning on the £5,000 would be reasonable. Though I don't think this alone would have been enough to deter Ms J from making the payment, as she had been coached into giving a cover story for the payment going into the Wise account. So I think some level of trust had been built between herself and the scammer and a generic warning would not have been enough to break this at the time.

However, I think the payment of £10,001 required more than just a warning, and that staff intervention would have been a reasonable response to the risk level. This is a high value payment and I think it should have raised some concerns for Wise. So I think further questions about the purpose of the payment would have been reasonable.

I've gone on to consider if intervention at that point would have revealed the scam, and on balance I think it would have done. While I recognise Ms J had been given a cover story for the payments into the Wise account, she did not have one for the payments going out to T. And T appeared to be a trading platform, so the previous cover story that she was purchasing goods would not have made sense. As Ms T had been contacted out of the blue and the returns she had been promised were too good to be true, I think some basic questions from Wise would most likely have revealed the scam. As they made an error, I think a refund is due from the £10,001 payment onwards.

I've finally considered whether or not Ms J should reasonably bear some responsibility for the losses as a result of any negligence in her actions and if it is therefore reasonable for me to make a reduction in the award based on this. In doing so, I've considered whether Ms J has acted as a reasonable person would to protect herself against the loss she suffered. The test is objective but needs to take account of the relevant circumstances.

Ms J was contacted out of the blue by an individual with an investment opportunity, which I think should reasonably have made her more wary of what it entailed. I understand that she was initially told she would receive 15% returns and this was increased to 60% after some time, but I have to consider that these returns are unrealistic and should have been seen as too good to be true. Finally, the scammer advised Ms J to lie to her bank in order to complete the transfer into her Wise account and I think this should reasonably have been a warning that the investment and the individual she was dealing with was not legitimate.

With this in mind, I think a reduction in the redress is reasonable to account for Ms J's contributory negligence. So, I think the redress should be reduced by 50%.

Wise responded to my provisional findings and accepted my recommendations.

Ms J responded and accepted the findings but pointed out that she had paid interest on a credit card as a result of the scam and had to sell personal items to pay for bills.

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 understand how difficult this situation has been for Ms J as she's been the victim of a crime and suffered a financial loss as a result of it. In reaching my decision, I've considered all of the evidence available to me and having done so, I'm satisfied the outcome and the recommended redress is fair in the circumstances. As no further evidence has been provided for me to consider, I see no reason to deviate from the findings set out in my provisional decision. For the reasons set out above, I think Wise should reimburse Ms J from the payment of £10,001 onwards and add 8% simple interest to this. It should also reduce the redress by 50% to account for Ms J's contribution to the loss.

If Wise considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms J how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

I uphold Ms J's complaint in part and direct Wise Payments Limited trading as Wise to pay the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 27 June 2024.

Rebecca Norris
Ombudsman