

The complaint

Mr C is unhappy with the service Wise Payments Limited provided after he was a victim of a scam.

What happened

The details of the complaint are well known to both parties, so I will not repeat them again here. Instead, I will focus on giving the reasons for my 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 agree with the investigator's findings for broadly the same reasons, which I will go on to explain. Before I do so, I want to acknowledge that I understand my decision will be disappointing to Mr C. But based on the evidence, I am not persuaded that Wise ought to refund the disputed transactions.

It's not in dispute that Mr C authorised the payments in question. They were duped by the scammers into transferring the funds in exchange for goods he did not receive. Wise is an electronic money institute (EMI) and not a bank so isn't subject to the same expectations set out in guidance and regulations as a bank when it comes to fraud prevention. Wise should execute payment instructions without undue delay. And as a starting point there is a presumption that liability for authorised payments is on the payer, even where it might have been made as part of a scam.

But that doesn't mean Wise had no obligation to Mr C. Wise is required to be on the lookout for indications of financial crime. I'm satisfied Wise ought to have systems in place to monitor the transactions on its accounts and that it should intervene when appropriate.

Bearing this in mind, I have considered the first payment that Mr C transferred to the scammer. On 11 June 2023, Mr C transferred £4,370 to the scammer. Mr C's representative has said this ought to have triggered Wise fraud detection systems as this was a new payee, Mr C had never used the account previously and it was an international payment. Mr C's representative has said that Mr C was told to send the money via wise and as such in a "matter of moments" opened an account with Wise. However, it appears that Mr C opened his account with Wise in November 2018. I accept that this was the first transfer Mr C had made from his Wise account and as such, as it was his first time using the account, any payment he made, he would have needed to set up a new payee. Mr C's representative has said that as it was a new payee this should have presented an "immediate red flag" for Wise. I disagree, it's important to note that the use of a new payee is not a clear risk indicator on its own. Making a one-off, relatively low-value payment to a new payee is very commonplace and so it's understandable Wise felt no need to act here.

Secondly, I have gone on to consider that Wise is a business which specialises in international payments and although it provides accounts which can be used for everyday

spending, Mr C's transfers were both international payments and it's likely that many customers of Wise will use its services in this way – opening an in order to make international payments and only using the account when the need to make an international payment. As such, while there are no previous transactions and as explained above, a new payee was set up, I don't consider this to be a trigger as explained, accounts of this nature are typically used in this way.

Again, Mr C's representative has said Mr C was sending a significant amount of money and as such this ought to have triggered Wise's fraud detection systems. I appreciate that this represents a lot of money for Mr C, but this doesn't in itself suggest a heightened risk of fraud. There were two payments in total (totalling £8,470), sent to the same payee over the course of two days. As such, by the time he came to make the second payment on 12 June 2023, this was an established payee.

Wise has a difficult balance to strike in how it configures its systems to detect unusual activity or activity that might otherwise indicate a higher than usual risk of fraud. There are many millions of payments made each day and it would not be possible or reasonable to expect Wise to check each one. As I mentioned above, while I don't doubt the payments represented a lot of money to Mr C, they are of values which I don't think would have appeared so suspicious or unusual to Wise, when compared with other payments that it processes daily.

However, I appreciate that Mr C's representative strongly feels this ought to have triggered Wise fraud detection systems based on the fact Mr C sent a total of £8,470 over a period of two days. Even if it could be argued the second payment Mr C sent on 12 June 2023 ought to have triggered Wise's fraud detection systems, I am satisfied it wouldn't have resulted in a different outcome. I say this because, if it has triggered Wise fraud detection system, it would have been proportionate for it to have provided a written warning that broadly covered scam risks. I have seen evidence of the warning Wise would have issued, and it would have been reliant on Mr C providing purpose of payment.

Given Mr C's testimony I am not persuaded that a written warning would have prevented Mr C from proceeding with the payments. The goods he was purchasing "wasn't too good to be true" and Mr C was confident as he had used that social media platform to purchase goods previously. He had also completed his own research into the seller and seen photos of the goods he was purchasing, along with "evidence" of a reputable delivery company. So even if I were to say the second payment made on the 12 June 2023 was to trigger, I'm not persuaded Wise taking different actions would have prevented the payments being made, or the loss that ensued, for the reasons I have explained.

As it stands, overall, I don't consider the payments Mr C made to have been remarkable enough to have warranted Wise to act and have contacted Mr C ahead of processing them.

I have gone on to consider if Wise took reasonable steps to try and recover the funds once it was made aware. The first payment was transferred on 11 June 2023 and Mr C didn't make Wise aware until 29 August 2023. Which is over two months from when the scam occurred. Wise has explained that it did make contact with its fraud and intelligence clawbacks team but without a police report it wouldn't be able to pursue the matter further.

Mr C hasn't reported the scam and as such hasn't provided a police report or crime reference number. However, Mr C's funds were transferred to an international bank account. International banks aren't bound by the same rules and regulations as banks within the UK. And Wise is reliant upon the international bank choosing to return funds and requesting what evidence it deems fit. It can't require or force them to do so. As such, I am satisfied Wise couldn't do anymore in the circumstances.

All things considered, and despite my natural empathy for this cruel scam and the situation finds himself in having lost his money, I won't be asking Wise to do anything further.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 25 July 2024.

Jade Rowe
Ombudsman