

The complaint

Mrs H complains that Wise Payments Limited ('Wise') won't refund the money she lost in a scam.

What happened

What Mrs H says

Mrs H says that she received a call from someone I'll refer to as W who said he was from a cryptocurrency company (which I'll refer to as B in my decision) and that she had funds in an account of hers that would be closed if she didn't take action. Mrs H assumed W was talking about a cryptocurrency account she opened in March that year and intended to close and give the balance to charity. She told W of her intention, and he said she had £50,000 in the account. Given the larger than expected amount, Mrs H decided to pursue it. She didn't check the cryptocurrency account she'd previously opened or complete any research into W or the company he said he was from.

Mrs H then received contact from an unrelated third party asking her to change her log-in details, which she did. She then received an email that seemed to come from W at B (but the email address wasn't genuine). This email said Mrs H's account was frozen and gave her the option to delete the account, reactivate it and withdraw funds to a bank account, or to reactivate the account and use it to trade. Mrs H was also asked to verify a wallet in a portfolio tracker and told that she'd need to make a payment and an agent would support her through the process.

Mrs H then started to receive emails from someone I'll refer to as A. A's emails came from a different company again. I understand that it was A who advised Mrs H to open an account with Wise to receive the funds in the wallet.

It's not totally clear exactly what happened but I can see that A advised Mrs H on 30 June 2022 that the process to withdraw her funds from her wallet at B to her Wise account was complete but as the account had generated a profit, fees had been applied. It seems that some fee payments were made, and further payments were made to 'Wise' to increase the limit on her account so that she could receive funds from the wallet. Mrs H received fake emails that she thought were from Wise asking her to make these payments. The fake Wise emails said the amounts Mrs H paid would be kept as collateral. Mrs H says she also received an email from Wise which said a payment of over £50,000 had entered her account. I've not been provided with this email but believe it was also fake. The payments for fees and to increase Mrs H's Wise account limit were all made to C, a genuine cryptocurrency provider.

A said he was going away, and Mrs H received communications from another broker, B. B told Mrs H that C was having trouble processing payments from Wise, so she was asked to make transfers to individuals who worked for B (transactions 15 to 19 in the table below). There were discussions about links between banks being interrupted and payments were required to create new links.

On 11 July 2022 Mrs H was asked to make a £7,000 payment because Wise had cut off the previous process whilst it was being completed. It's not clear what was meant by this. Wise blocked this transaction and sent Mrs H a notification to say her account had been closed with immediate effect.

I have set out in the table below the transactions Mrs W made.

Transaction no	Date	Amount	Payment type	Notes
1	30/06/22	£2,977.22	Card payment to C	
2	30/06/22	£2,330.40	Card payment to C	
3	30/06/22	£2,000	Card payment to C	
4	30/06/22	£2,000	Card payment to C	
5	01/07/22	£2,000	Card payment to C	
6	01/07/22	£500	Card payment to C	
7	01/07/22	£500	Card payment to C	
8	01/07/22	£1,000	Card payment to C	
9	05/07/22	£3,000	Card payment to C	
10	05/07/22	£4,103	Card payment to C	
11	06/07/22	£6,000	Card payment to C	
12	06/07/22	£1,500	Card payment to C	
13	07/07/22	£6,000	Card payment to C	
14	07/07/22	£4,000	Card payment to C	
15	07/07/22	£11,000	Faster payment	
16	07/07/22	£15,000	Faster payment	
17	08/07/22	£19,000	Faster payment	
18	11/07/22	£19,000	Faster payment	
19	13/07/22	£7,000	Faster payment	Blocked and returned
Total		£101,910.62		

Immediately before each of the transactions Mrs H credited her Wise account with funds from two existing accounts with separate banks.

Mrs H reported that she was the victim of a scam on 30 July 2022.

What Wise says

Wise said it had no chargeback rights in respect of the card payments, that it has no right to get involved in disputes between senders and recipients and that it has no duty to conduct due diligence in respect of third party companies that funds are sent to. Wise referred Mrs H to C.

Wise explained to this service that it had concerns about the £7,000 transaction on 13 July 2022 and blocked it. After a review it decided to close Mrs H's account with immediate effect and notified her of its decision but said it couldn't provide a reason.

Mrs H was unhappy with Wise's response and brought a complaint to this service.

Our investigation so far

The investigator who considered this complaint recommend that it be upheld in part. She said that Wise didn't act in accordance with its terms and conditions in closing Mrs H's account with immediate effect rather than giving 60 days' notice. This caused Mrs H additional stress and inconvenience but didn't impact her loss. The investigator said that Wise should pay £200 compensation to reflect this and that it should also refund €1.29 that it didn't recover from a receiving account.

The investigator said the card payments were made to a genuine company (C) and Mrs H received the service she expected so there would be no prospect of a successful chargeback. But Wise should have intervened when Mrs H made the payment of £2,000 on 30 June 2022 (payment four in the table above), but that had it done so it wouldn't have made a difference. This was because the investigator felt that when Mrs H credited her Wise account with funds from other banks those banks asked about the reasons for the payments and Mrs H wasn't honest in her responses. So, the investigator said that even if Wise had done more, it wouldn't have uncovered the scam and prevented additional payments from being made.

Wise accepted the investigator's view. It said that it made the decision to close Mrs H's account to avoid further loss but recognised this caused distress and inconvenience.

Mrs H didn't agree with the investigator's findings. I have summarised her main points below:

- The primary issue is Wise's failure to reach out to her before and after it closed her account as timely communication could have played a crucial role in identifying the scam and minimising her loss and emotional distress. As the scam progressed, the escalating nature of the transactions should have triggered a more robust approach.
- Closing her account without any discussion or warning led to distress and hindered her ability to understand and address the situation promptly.
- There is a huge difference between the amount of compensation offered and her loss. The financial ramifications of the scam are significant and will have a severe and lasting effect on her financial well-being. Mrs H would like me to consider a higher compensation award.

The complaint was passed to me. I intended to reach a different outcome to the investigator so set out my reasoning in a provisional decision dated 26 March 2023. I upheld the complaint in part. In the "*What I provisionally think – and why*" section of my provisional decision I said:

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 Mrs H was the victim of a cruel scam and of the impact the scam has had on her. I can understand why she wants to do all she can to recover the money she lost. But I can only direct Wise to refund Mrs H's loss if it can fairly and reasonably be held responsible.

It is accepted that Mrs H authorised the scam payments from her Wise account. So, although she didn't intend the money to go to the scammers, under the Payment Services Regulations 2017 and the terms and conditions of her account, Mrs H is presumed liable for her loss in the first instance. And under the terms and conditions of the account, where a valid payment instruction has been received Wise's obligation is to follow the instructions that she 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 money transfer platform like Wise 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 normal use of the account.

Mrs H opened her account with Wise on the advice of the scammers on 29 June 2022. She wasn't asked to provide a reason for opening it. This means that Wise had no historic account activity to compare her transactions to, or the pattern of them, with. I'm also mindful of the manner in which Wise accounts are commonly used. It's not unusual for customers to set up Wise accounts to make large value transactions, often overseas as was the case here when the faster payments were made, because they offer better rates of exchange than high street banks. There's also a balance to be struck between identifying payments that could potentially be fraudulent and minimising disruption to legitimate payments.

I think that Wise ought reasonably to have intervened when Mrs H made some of the later payments to C though. By payment four she sought to make a transaction that meant she had paid a known cryptocurrency exchange nearly £10,000 in one day. In these circumstances, I consider Wise should have provided a tailored written warning which covered investment scam risks at this stage and possibly at a later stage when the card payments increased.

I've thought carefully about whether a tailored written scam warning would have had an impact on Mrs H's decision making and prevented her further loss. On balance, I don't consider it would. I say this because Mrs H wasn't investing. Instead, she was making payments to a cryptocurrency exchange in an attempt to recover funds in a wallet. This is a more unusual scenario that I wouldn't expect Wise to specifically cover in its tailored written warning. So I don't consider the kind of warning I'd have expected Wise to provide at that time would have had any impact in preventing Mrs H from making the card payments.

I'm satisfied that the position changed when Mrs H made the second faster payment to a named individual though. Mrs H had made a succession of card payments to a cryptocurrency exchange immediately followed by an international faster payment to a named individual. By the time Mrs H sought to make the £15,000 transaction she had already transferred £21,000 that day. The £15,000 transfer took her to £36,000 in a day. The transaction was so significant I'm satisfied Wise should have gone beyond a written warning and intervened either through in app messages which asked questions about the transaction or a call to Mrs H.

I turn now to consider whether intervention at this stage would have made a difference. Wise has said that it's not confident that any level of questioning would have led it to detect the scam, so it didn't miss an opportunity to prevent it. But I note that when Mrs H lied to other banks, she was asked very simple questions about the payment purpose, and she wasn't given any scam warnings that were relevant to the scam she was falling victim to. I have set out below relevant interactions with other banks:

- 6 July 2022 - £3,000 card payment to C was blocked. Mrs H was asked if it was for cryptocurrency and said no, it was her own personal investment, that it was cash, and she was trying to buy something. In a further call on the same day Mrs H referred to going on a course and a personal investment. So, what Mrs H said didn't stack up and wasn't consistent, or plausible given the payee.
- 7 July 2022 – a different bank asked about a transfer to Mrs H's Wise account. Mrs H said she was sending money to family abroad – to her “first born”. Again, no scam warnings were given.

So I don't consider it's fair to conclude that because Mrs H lied about the payment purpose (when that was all she was asked) means that an effective intervention by Wise wouldn't have made a difference. Nothing the other banks said to Mrs H brought this scam to life.

I also appreciate that Mrs H was being coached by the scammers about what to say to her banks. In a message to Mrs H on 6 July 2022 one of the scammers said,

“Tell them I am making a payment as investment by myself. Which is personal.”

The following day the scammer advised Mrs H,

“Merchant Wise, personal investment. This is what you should tell and also I am doing it by myself.”

It's clear though that Mrs H wasn't given detailed advice about what to say to Wise and so I think that if appropriate probing questions had been asked, she'd have struggled to provide plausible and persuasive answers. The answers she provided to other banks when asked non-probing questions weren't at all plausible and relevant scam warnings weren't provided. The only warning she received from any other bank was that fraudsters are contacting people and asking them to move money, which doesn't go far enough.

I've also thought about the fact that by the time Mrs H made payment 16, Mrs H believed that C was having trouble processing payments from Wise, so she was transferring funds to individuals. She was also advised that “links” needed to be created between banks. It seems likely to me Mrs H would have discussed these problems with Wise if it intervened in the manner I think it should have and that the scammers would have found it difficult to give Mrs H a reason to lie to Wise.

Should Mrs H share responsibility for the loss?

I've thought about whether Mrs H should bear any responsibility for her loss. In doing so, I've considered what the law says about contributory negligence, as well as what I consider to be fair and reasonable in all the circumstances of this complaint.

Overall, I'm satisfied that Mrs H should share responsibility for transactions 16, 17 and 18 in the table above with Wise. I say this because:

- Mrs H received an unexpected call from W – someone she didn't know and trust. She took what W told her at face value without completing any checks of her own. For example, Mrs H didn't check the cryptocurrency account she'd previously opened to check if funds remained.
- I think Mrs H ought reasonably to have questioned how a payment of £500 (or £250 as she stated in an email to the scammer) could have yielded a sum of £50,000 in a few months.
- Mrs H says she thought that the individuals who contacted her and asked her to make payments were from B but she didn't check this.
- The fake emails that are supposed to have come from Wise were from an unusual email address (Wise@donotreplyrebounded.co.uk) and there were spelling and grammatical errors. The content of the emails also doesn't make sense.
- It's hard to understand why Wise would ask Mrs H to pay C to increase her account limit. I think this ought reasonably to have caused Mrs H to be seriously concerned.
- It wasn't particularly clear what the purpose of the later payments that she made to named individuals was. She was told that she needed to make them to establish a “link” between her cryptocurrency account and her account with the payment service provider. I don't think this explanation was clear enough that it could justify her being persuaded to transfer such large sums of money.
- I think Mrs H ought to have been concerned at having to pay over £100,000 in order to access a sum of £50,000. While she was given reassurances that many of these overpayments would ultimately be refunded to her, I think she ought to have proceeded with great caution.

Closure of Mrs H's account

I turn now to the immediate closure of Mrs H's account. Wise say that it closed Mrs H's account after conducting a fraud review when Mrs H set up a further transfer of £7,000 on 13 July 2022. Wise's User Agreement allows it to end the agreement and close an account by giving two months' prior written notice. The same agreement also says that Wise may suspend or close an account without notice in certain circumstances. I'm not persuaded that any of the scenarios listed in the agreement apply here, so I don't consider Wise acted fairly in closing Mrs H's account with immediate effect.

I have no doubt that the immediate closure of Mrs H's account caused her distress and inconvenience for which I think she should be compensated. I think Wise should fairly have contacted Mrs H to understand what was going on and provide support rather than add to her problems. In the circumstances, I agree that compensation of £200 is fair. But had Wise contacted Mrs H as I think it should the position in terms of Mrs H's loss would be the same, as the £7,000 transaction was blocked and returned to her.

Recovery

The payments to C were made by card. I agree there would be no valid chargeback right in respect of them so there was nothing Wise could have done to recover them.

Wise didn't try to recover the faster payments Mrs H made as quickly as I'd expect. But I've seen evidence from the electronic institute that received all the faster payments that demonstrates that all but €1.29 of Mrs H's funds were removed before Mrs H reported the scam. This means that even if Wise had acted more quickly it wouldn't have been able to recover anything more. Like the investigator, I consider Wise should pay Mrs H the amount that remained in the account.

Overall

I provisionally consider Wise didn't do enough to protect Mrs H and should put things right as set out below.

Responses to my provisional decision

Mrs H initially accepted my provisional decision and then said she didn't agree. I have summarised her main points below:

- She had no idea the emails she received from 'Wise' were fake or that she was being scammed.
- A key point to her was that she was shown a credit of £50,000 in her Wise account from the start, which gave her confidence that she was on track to receive the money owed to her.
- Mrs H totally disagrees that intervention at payment four wouldn't have made a difference. She says that if Wise had intervened, she would have mentioned the £50,000 credit and explained that she was transferring funds to test the link between her Wise account and her bank account. This would have uncovered the scam. Mrs H went on to say that any form of warning would have made a significant difference and helped to stem the loss of funds.
- Mrs H questioned why Wise waited until 11 July to close her account as it must have had concerns before that.
- Mrs H questioned why I provisionally said she should only receive 50% of payments 16, 17 and 18.
- In respect of my reasons for splitting liability for these final payments, Mrs H said she was being led by scammers and thought the payments related to the return of £50,000 that was owed to her as well as payments to Wise and to C.

Wise also disagreed with my provisional decision. In summary, it said:

- Wise clarified why it deactivated Mrs H's account without any prior communication with her. It said that scam victims like Mrs H are often manipulated by fraudsters to provide misleading information, so it closed Mrs H's account immediately to avoid further loss.
- Wise maintained that any intervention by it wouldn't have made a difference as Mrs H was deeply entangled in the scam and had already provided false information to other banks. Wise said it would have asked Mrs H why she was making the payment, what it was for and her relationship with the recipient. Other banks had asked similar questions and not received accurate responses.
- Wise pointed out that it is primarily a money remittance company and as such it is not within its scope to ask more detailed questions than banks, particularly as Wise wasn't her primary financial provider. It is unreasonable of me to expect this.
- Mrs H's belief that Wise could have played a crucial role in identifying the scam earlier is based on hindsight. The warning signs were already there, including being told to lie to banks, but Mrs H ignored them and demonstrated a propensity to mislead financial institutions.

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've reviewed the additional points raised by Mrs H and Wise but am not minded to reach a different outcome.

I have no doubt that Mrs H didn't realise she was the victim of a scam or that emails and other communications were fake. But this alone doesn't mean that Wise should refund her.

In my provisional decision I said the type of intervention I consider Wise should have made at payment four was different to the type of intervention I'd have expected at transaction 16. At transaction four I consider Wise ought reasonably to have recognised a scam risk and provided a warning tailored to cryptocurrency investment scams. I don't consider that such a written warning would have resonated with Mrs H and prevented her from making further transactions to recover funds as Mrs H asserts. This is particularly so given that Mrs H was clearly very involved in the scam and believed what she was being told by the scammers, and because Mrs H wasn't investing.

By the time Mrs H made payment 16 I consider that Wise needed to go further than provide a tailored written warning. I explained in my provisional decision why I think an in app or in person intervention would have uncovered the scam. Wise has said it would have asked Mrs H why she was making the payment, what it was for and its relationship with the recipient, but I'm not persuaded such an intervention, with no scam warning whatsoever, would have gone far enough given the account history and the value of previous transactions, which I set out in my provisional decision.

When Mrs H mislead other banks, she was only asked very basic questions and no appropriate scam warnings were given. It's also relevant to note that in other interventions Mrs H was making lower value card payments or transferring funds to another account in her own name (with Wise) where the risk of fraud was reduced. By the time Mrs H made the transaction I have said should have triggered an intervention from Wise, the reason for the payment (creating links) wasn't plausible. And I consider it would have been much more difficult for the scammers to persuade Mrs H to lie to Wise about this.

Whilst I have no reason to doubt that Mrs H was shown a screenshot of a £50,000 credit to her Wise account, I'm not persuaded it would be fair to ask Wise to reimburse her in full. There are numerous aspects of the scam that don't make sense and so many different parties involved that I consider Mrs H ought reasonably to have had concerns and checked

the information she was given. I have listed some points in my provisional decision and nothing Mrs H has raised in her response leads me to think it would be fair to reimburse her in full for the final three transactions.

I turn now to the points Wise has made about the closure of Mrs H's account. Wise said that scam victims can be manipulated by fraudsters to provide misleading information so it closed Mrs H's account immediately to avoid further loss. But blocking Mrs H's account, asking questions and providing appropriate scam warnings would have prevented further loss and would comply with the terms and conditions of the account. And Wise previously agreed with the investigator's view which recommended that it pay £200 in respect of the closure of Mrs H's account.

Overall, I'm satisfied that Wise is partly responsible for Mrs H's loss and should make the payments I have set out below.

My final decision

I uphold this complaint and require Wise Payments Limited to:

- Reimburse £26,500, and
- Pay interest on the above amount at the rate of 8% simple per year from the date of each transaction that should be reimbursed to the date of settlement; and
- Reimburse €1.29; and
- Pay £200 compensation.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 11 July 2024.

Jay Hadfield
Ombudsman