

The complaint

Ms P complains that Wise Payments Limited didn't do enough to protect her from the financial harm caused by a scam, or to help her recover the money once she reported the scam.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Ms P was the victim of a scam. Towards the end of 2023, she came across an advert on social media for services provided by Company M. On 22 October 2023 and 13 November 2023, she made two transfers to Company M from a Wise account totalling £20,551.72. Unfortunately, Company M was fraudulently using the details of a genuine company and Ms P lost the money.

She complained to Wise when she realised she'd been scammed, but it refused to refund any of the funds. It said it had completed the transfer orders as directed and therefore had fulfilled its contractual obligation to do so, and its recall attempt on 6 December 2023 had failed.

Ms P wasn't satisfied and so she complained to this service arguing that Wise should have put pressure more on the beneficiary bank. Wise explained the payments were sent from a personal account which was opened on 22 October 2023. It said it didn't intervene in any of the payments or provide any warnings because they weren't concerning, there was no account history for it to compare the payments with, and the transfers were made several days apart. It said the transfers were funded directly from an external account, and it would expect Ms P to have a more established relationship with that bank and for it to have a better knowledge of her spending patterns.

Our investigator didn't think the complaint should be upheld. She was satisfied Ms P had been the victim of a scam and even though the account was newly opened, she thought Wise should have been concerned about the £10,321.27 payment Ms P made on 22 October 2023 because it was a high value payment to a new beneficiary. She thought a proportionate response would have been for Wise to ask Ms P to select the purpose of the payment from a list of options and then provide a tailored warning covering off the key scam risks associated with the payment.

However, she didn't think this would have made any difference because the most relevant option would've been 'pay for goods or services', in response to which Wise ought reasonably have provided warnings tailored to purchase scams – for example, that scammers often use online marketplaces to advertise goods or services that don't really exist. It should also have given suggestions on how to verify the legitimacy of the purchase, such as researching the seller, and/or requesting proof of the seller's ownership of the goods.

Our investigator didn't think this would have stopped the scam because the scammer had spoofed the details of a genuine company and so a basic search of Company M wouldn't have uncovered anything concerning, and there was no information suggesting it was operating a scam. She also noted the scammer had provided documentation relating to the agreement, so Ms P was satisfied it was legitimate.

Finally, she was satisfied that Wise had provided evidence that it attempted to recover the funds once it was made aware of the fraud, but the recovery attempt was unsuccessful. Ms P wasn't satisfied and has asked for her complaint to be reviewed by an Ombudsman. She's argued that Wise had an opportunity to prevent her loss by enquiring about the payments and providing appropriate warnings and advice regarding potential scams. She has also suggested Wise ought to have done more to verify the recipient account.

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've reached the same conclusion as our investigator. And for largely the same reasons. I know Ms P feels strongly about this complaint and this will come as a disappointment, so I'll explain why.

I'm satisfied Ms P 'authorised' the payments for the purposes of the of the Payment Services Regulations 2017 ('the Regulations'), in force at the time. So, although she didn't intend the money to go to scammers, under the Regulations, and under the terms and conditions of the bank account, Company M is presumed liable for the loss in the first instance.

I'm satisfied, on balance, that Ms P lost the funds to a scam. This is because the beneficiary bank account has been confirmed as a scam in an article by the USA's Justice Department which explains that the US-based owner of the account has been indicted for laundering millions of dollars. The article explains the circumstances of the known scams that used the account and the circumstances of the scam as described in the article match these circumstances.

But although Ms P didn't intend her money to go to scammers, she did authorise the disputed payments. Wise is expected to process payments and withdrawals that a customer authorises it to make, but where the customer has been the victim of a scam, it may sometimes be fair and reasonable for the bank to reimburse them even though they authorised the payment.

Prevention

Wise was an emoney/money remittance provider and at the time these events took place it wasn't subject to all of the same rules, regulations and best practice that applied to banks and building societies. But it was subject to the FCA's Principles for Businesses and BCBS 2 and owed a duty of care to protect its customers against the risk of fraud and scams so far as reasonably possible.

I've thought about whether Wise could have done more to prevent the scam from occurring altogether. It ought to fairly and reasonably be alert to fraud and scams and these payments were part of a wider scam, so I need to consider whether it ought to have intervened to warn Ms P when she tried to make the payments. If there are unusual or suspicious payments on an account, I'd expect Wise to intervene with a view to protecting Ms P from financial harm due to fraud.

The payments didn't flag as suspicious on Wise's systems. This was a newly opened account and so there was no spending history to compare the payments with but given the value of the payment and the fact Ms P was sending funds to a new international account, I think Wise should have intervened. We wouldn't expect it to investigate the recipient account, but I agree with our investigator that Wise ought to have blocked the payment and asked Ms P to select a payment purpose and that it's most likely that she'd have confirmed that she was 'paying for goods and services'. With this information, I would expect Wise to have presented her with a written warning tailored to purchase scams.

Unfortunately, as Ms P had no reason to think the agreement wasn't genuine, I don't think a written warning would have made any difference. As our investigator explained, Ms P had paperwork which she believed was evidence that the agreement was genuine, and Company M was a clone of a genuine company, so any basic research she might have done would have shown results confirming it was legitimate. So, while I think Wise missed an opportunity to intervene, I don't think this represented a missed opportunity to prevent the scam and I can't ask it to do anything to resolve this complaint.

Compensation

The main cause for the upset was the scammers who persuaded Ms P to part with her funds. I haven't found any errors or delays to Wise's investigation, so I don't think she is entitled to any compensation.

Recovery

I'm satisfied that Wise has shown that it sought recovery of the funds and that the recovery attempt was unsuccessful. In the circumstances I'm satisfied there was nothing else it could reasonably have done to recover the funds, notwithstanding the fact the beneficiary account has been confirmed as fraudulent.

I'm sorry to hear Ms P has lost money, but for the reasons I've explained, I don't think Wise is to blame for this and so I can't fairly tell it to do anything further to resolve this complaint.

My final decision

For the reasons I've outlined above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 26 January 2025.

Carolyn Bonnell
Ombudsman