

The complaint

Mr O complains that Wise Payments Limited won't reimburse him after he fell victim to a scam.

Mr O is professionally represented in bringing his complaint to our service, but for ease of reference I'll refer to all submissions as being made by Mr O directly.

What happened

Mr O has explained that in around November 2023, he received contact on an instant messaging application from an individual purporting to work for a recruitment firm, asking whether he was interested in working online for a well-known company within product promotion and maintenance. When Mr O confirmed his interest, a second individual purporting to work for the company contacted him to explain how the role worked. Unfortunately, unbeknownst to Mr O at the time, both individuals he'd been in contact with were in fact fraudsters working together for a scam.

Mr O was shown how to set up an account on a fraudulent platform. He was told he needed to positively rate 40 products in order to earn a daily wage. After initially using a 'practice' platform to learn the role, Mr O began using his own account and completing tasks. However, he began to encounter 'combination' tasks, which required him to add funds to his account via cryptocurrency in order to 'top up' his account. The fraudster told Mr O that once his daily tasks were completed, Mr O would receive this money back, as well as commission on top.

Mr O initially made these payments via another of his banking providers, but after two payments, on the fraudster's instruction, also set up a Wise account. Mr O then began also making payments from his Wise account into cryptocurrency via what appears to be peer-to-peer (P2P) lending. However, Mr O continued to receive further combination tasks until he was having difficulty obtaining the funds to cover the payment requests.

Mr O eventually managed to complete his 40 tasks, but was told that his account had been upgraded and he now needed to complete a further five tasks (which included further combination tasks and therefore further payments). Once these were completed, he was told that as he didn't complete them on time, he had to pay an additional fee of £420.91. After paying this, Mr O was told he needed to pay a further £102 to cover a tax earning fee, which Mr O also sent over, believing this was the only way to release his funds. However, the fraudster then asked for further fees, at which point Mr O realised he'd fallen victim to a scam. In total, Mr O made the following payments towards the scam from his Wise account:

Date	Payee	Value
14/11/2023	1	£550
14/11/2023	2	£1,550
16/11/2023	3	£800
20/11/2023	4	£2,000

25/11/2023	5	£445
25/11/2023	6	£1,059
25/11/2023	6	£6.26

Once Mr O was aware he had fallen victim to a scam, he contacted Wise to raise a claim. Wise looked into Mr O's claim but didn't uphold it. Wise said that for each new payee Mr O sent funds to, it asked him the purpose of the payment and he answered 'friends and family'. Wise considers Mr O therefore misled it on the payment purpose and therefore isn't liable for his losses. Mr O disagreed with Wise's response and referred the complaint to our service.

An investigator considered Mr O's complaint but didn't uphold it. He didn't consider that the payment values were so unusual that Wise ought to have had concerns that Mr O was at risk of financial harm from fraud and intervened.

Mr O disagreed with the investigator's view. In summary, he said that Wise ought to have questioned him further on the payments he was making and had it done so, the scam would've come to light.

As Mr O disagreed with the investigator's view, the complaint has been referred to me for a final 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.

There's no dispute that Mr O authorised these transactions and that means that under the Payment Services Regulations 2017 and the terms of his account he is presumed liable for the loss in the first instance.

However, taking into account longstanding regulatory expectations and requirements and what I consider to have been good industry practice at the time, Wise ought fairly and reasonably to have been on the look-out for the possibility of fraud and have taken additional steps, or made additional checks, before processing payments in some circumstances.

In addition, since 31 July 2023 when the Financial Conduct Authority's Consumer Duty came into force, there are additional obligations on firms to avoid foreseeable harm to customers. As a result, where it would be considered appropriate based on the risk level, we'd expect warnings provided by firms to be more 'dynamic', and cover the type of job scam Mr O fell victim to, considering its growing prevalence.

As Mr O's Wise account was set up specifically for the scam, there wasn't typical spending for Wise to compare the scam payments to. However, I've considered whether the payments he made were so unusual that Wise ought to have identified that Mr O was at risk of financial harm from fraud. Having considered the payments holistically, I don't think the payments were so high in value, frequent, or to such unusual payees that Wise ought to have intervened, either by providing a warning (albeit it did make efforts to establish the payments and provide one), or speaking to Mr O, prior to processing the payment. Additionally, all payments were made to other Wise accounts, none of which Wise had any concerns about at the time the fraudulent payments were made.

I've therefore gone on to consider whether Wise did enough to recover Mr O's funds, once it was made aware of the scam. From the chat Mr O has provided between himself and the fraudster, it appears these payments were likely made through P2P lending – meaning Mr O sent funds from his Wise account directly to another Wise account holder in return for cryptocurrency. In these situations, there's little Wise can do to recover Mr O's funds, as the funds weren't lost to the payee the payment was made to, but when they then transferred the subsequent cryptocurrency on.

Even if payments weren't P2P lending, I've had to consider that Mr O didn't report the scam to Wise until two days after the final payments had been made towards the scam. As fraudsters typically move funds received from scam victims within minutes, if not hours from the recipient account, I think there was minimal opportunity for Wise to have recovered any of Mr O's funds, once it was made aware of the scam.

Overall, while I'm sorry to disappoint Mr O, and while I don't dispute that he's fallen victim to an awful scam, I haven't concluded that Wise is liable for his losses, and it therefore follows that I don't require it to reimburse him.

My final decision

My final decision is that I don't uphold Mr O's complaint against Wise Payments Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 22 October 2024.

Kirsty Upton
Ombudsman