

The complaint

F says Prepay Technologies Ltd (“Prepay”) refuses to refund it for unauthorised transactions from its account.

What happened

F says its account was taken over by fraudsters and £23,355 was transferred out of its account to unknown third parties in four transactions. F says it remembers receiving a call from someone it believed was from Prepay who scared it into thinking someone had access to the account, and it should delete his Prepay app. F says it realised something was wrong as it could no longer log-in to the app on 1 December 2023. At this point it became clear someone had stolen money from the account and F made a complaint to Prepay.

Prepay has considered the evidence and decided to hold F liable for the transactions in dispute. It says based on the evidence F has either been grossly negligent by providing account information and passcodes to log into the app and to add a new payee; or F has been complicit in allowing these transactions to take place.

Our investigator considered this complaint and decided to uphold it in F’s favour. Ultimately, they had not been persuaded that F was responsible for the transactions in dispute, so she asked Prepay to refund the transactions. Prepay did not agree so the complaint has been passed 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.

F says it received a call on 26 November 2023, which in hindsight, seemed suspicious. It initially thought the call was from Prepay informing it that an unknown third party had been trying to access the account. Prepay says it has never called F and does not usually communicate with any of its customers over the phone, so F should’ve realised at this point that something wasn’t right. But I don’t agree, I think it’s likely such a call would cause panic and concern, and I don’t think it’s unreasonable F didn’t question why Prepay was calling for the first time, especially considering a phone call would be an appropriate method to communicate a possible instance of fraud.

F initially said it logged out of the account and deleted the Prepay app as instructed by the caller. However, I’ve seen evidence that F logged into the account using his trusted iPhone device on 27 and 28 November 2023. Prepay says this is evidence that F has been inconsistent and untruthful. But I think it’s also possible F is mistaken about the date it had last logged in.

A new android device began accessing the account from 26 November 2023 onwards and a new phone number was added to the account on this same day. Prepay says that the QR code sent to F’s email was used to gain access to the account. So, it says F must have provided this to a third party and this is in breach of the terms and conditions of the account.

But it's also possible someone else had hacked into F's email account and were then able to add the app to their own device. So, I don't think this evidence is persuasive enough to show that F authorised the set up of the new device itself or that it was grossly negligent in providing the required QR code to the fraudster.

The transactions in dispute were all carried out on the android device which was added to the account on 26 November 2023. There were four large transactions made between 28 and 30 November 2023 which significantly reduced the account balance. Prepay has confirmed that these transactions were all authorised using one-time passcodes (OTPs) sent to the updated phone number.

Prepay says it believes F was aware of these transactions as it has admitted to adding a new payee to the account on the morning of 28 November 2023. And Prepay says in order to do so, the OTP which was sent to the new number was entered correctly in the app. So, Prepay says this is clear evidence that F had access to this new number in order to use it to set-up the new payee. However, Prepay has provided evidence that F logged into the app the morning of 28 November 2023 from his iPhone and a OTP was sent to the new phone number. I understand this OTP was entered into the app to validate the new payee set-up but I am not persuaded by the evidence sent by Prepay to show the OTP was entered via F's registered iPhone. This because the evidence sent does not show the full device ID or anything else for me to feel it's more likely than not that this was sent to F's registered iPhone. Therefore, I think it could've been the fraudster who entered the OTP and not F.

Throughout the chat history with Prepay, there appears to be some communication from F and some communication from a third party. I say this because the language and tone of the communication is different, and the communication seems contradictory. I think this is likely because the fraudster was accessing the app at the same time as F and trying to keep ownership of the account and ensure their access was not restricted. So, it seems the fraudster went to great lengths to remain in F's account for as long as possible.

During our investigations we reached out the banks that F's money was transferred to. They have supplied the account information for the recipients of F's money. These show the accounts were recently opened and dormant prior to F's money incoming, and then they were emptied within days of the transfers in from F. The accounts appear not to be used for anything else other than receiving money from F and withdrawing it as quickly as possible. This is indicative of fraud.

While I do not have evidence to explain how F's email account may have been hacked, it seems possible that a third party would be able to carry out all the disputed activity had they been able to get into F's email. While this is a finely balanced case, considering how the money was sent out and then spent from other unknown accounts, I think it seems likely that this wasn't done by F but by a fraudster.

I have considered what Prepay has said about F potentially being grossly negligent in providing passcodes and QR codes to the suspicious caller or another third party, but I am not persuaded that the evidence shows he did give anyone else this information, so I don't think it has been grossly negligent in any way.

Putting things right

Prepay Technologies Ltd should refund the disputed transactions in full, minus any monies already refunded. It should also add 8% simple interest from the date the transactions were made till the date of repayment.

My final decision

I am upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask F to accept or reject my decision before 3 December 2024.

Sienna Mahboobani
Ombudsman