

## **The complaint**

Mr D complains that GoCardless won't refund his payments he made for a car that didn't arrive. He'd like the firm to refund him.

## **What happened**

In March 2024 Mr D used GoCardless' Instant Bank Pay service to make three payments to a merchant he wished to purchase a car from. These totalled £3,103. But after this he became suspicious. After contacting the named insurer and the company who were supposed to be delivering the car, he believed he'd fallen victim to a scam. He tried to discuss this with the merchant, who agreed to refund a £200 payment. But no payment arrived.

Mr D reported this to GoCardless, who closed the merchant's account with them. But they declined to refund any transactions, saying they do not have control over the services or goods offered by merchants. They said they didn't hold payments, as they are paid out to the merchant after receipt of funds. They felt the responsibility to verify a transaction lies with the payer and did not return the lost funds.

Unhappy with this Mr D referred his complaint to our service. He said GoCardless hadn't done their due diligence in opening the account, which had led to a loss to him. One of our investigators looked into what happened but didn't feel GoCardless needed to do anything further. Mr D disagreed, saying GoCardless should not have allowed the merchant to open an account and processed payments for them. As no agreement could be reached the complaint has been passed to me to decide.

## **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 doesn't seem to be any dispute that Mr D set up these payments with GoCardless, and they were processed in line with his instructions. So, under the relevant regulations – the Payment Services Regulations 2017 – they would be considered authorised payments. And because of this, there is no specific obligation on GoCardless to refund him for any fraudulent transactions. The terms of the transaction agreement also make it clear that they won't.

But I would reasonably expect any payment service provider to have systems and controls in place to monitor accounts and payments for signs of financial crime – such as fraud or money laundering. On a fair and reasonable basis if a payment looks particularly out of character, or high risk, then I may expect the business to step in and check what that the payment request was genuine. The hope is that a proportional intervention unravels the scam and prevents any losses.

Mr D did not have an ongoing relationship with GoCardless such as an ongoing account. Instead, he entered into three individual payment contracts. So, they wouldn't be able to

draw any inferences about his usual payment activity would look like, to decide that these three payments were out of character. And I don't see that the payments themselves were of such a significant value, or represented such a considerable risk, that it should have prompted concern from GoCardless. I'm not persuaded here that it was unreasonable for them to process these transactions without any further intervention.

I've considered Mr D's point about whether the merchant should have been able to open an account. I am limited in what I can detail in this decision about this, as it needs consideration of a third-party account and is confidential. But I'd like to assure him I've considered this point very carefully.

I've seen nothing to suggest that the details the merchant provided should have caused significant concern with GoCardless, such that they should not have allowed them to receive payments. And I don't see that the activity for this merchant ought to reasonably have meant GoCardless should have had enough concern to block or decline the transactions Mr D made to them. That they subsequently blocked this merchant seems to be as result of his report, which could only have occurred after the payments were made. But at the time of the transactions, I don't see it as unreasonable that GoCardless didn't have any concerns.

Lastly, I've considered GoCardless' actions on receipt of Mr D's report of fraud. But they have demonstrated that by this point the merchant had removed all the available funds. I've seen nothing to show that GoCardless could have returned any of the funds to Mr D at this time.

I'm sorry to disappoint Mr D, but I do not see that GoCardless hold any liability to refund him for his losses.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 9 December 2024.

Thom Bennett  
**Ombudsman**