

Complaint

H, a limited company, complains that Wise Payments Limited didn't pay a refund after it fell victim to a scam. H is represented by its director, Miss C. I've generally referred to Miss C throughout the text of this decision.

Background

In April 2023, Miss C was planning a holiday with friends and looking for accommodation online. After some research, she discovered a property that seemed to meet her requirements. She'd found the listing on a reputable third-party website. She contacted the owner to discuss the details of her booking. I understand that there was some hesitation about the number of people who would be joining her on the trip. The owner reassured her by saying that she could secure the booking immediately and later cancel it for a full refund if necessary.

Trusting this information, Miss C proceeded to make a payment of just over £3,000 using H's Wise account. Unfortunately, she wasn't dealing with the owner of the property in question, but a fraudster. She realised that she must have fallen victim to a scam when the supposed owner cut off all communication and blocked Miss C on the third-party website. She complained to Wise and asked that it pay her a refund. It didn't agree to do so.

Miss C was unhappy with that response and so she referred her complaint to this service. It was looked at by an Investigator who didn't uphold it. The Investigator observed that Wise needed to monitor account activities or transactions that appeared unusual or inconsistent, potentially signalling a risk of fraud. However, in this case, the Investigator was not convinced that Wise could have reasonably foreseen that this payment was associated with a scam.

Miss C, via her representatives, disagreed with the Investigator's view and so the complaint has been passed to me to consider and come to a final decision.

Findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.

However, that isn't the end of the story. Good industry practice required that Wise be on the lookout for account activity or payments that were unusual or out of character to the extent that they might indicate a fraud risk. On spotting such a payment, I'd expect it to take steps to warn its customer about the risks of proceeding. In some cases, it might be expected to temporarily block a payment so that it could make enquiries with the customer to satisfy itself that they weren't at risk of financial harm due to fraud. However, any response to out of

character account activity must be proportionate to the risk. Wise has to strike a balance between protecting customers and not disrupting legitimate payments.

The Investigator concluded that Wise wouldn't have had a reasonable basis for intervening here. I agree with that conclusion. Unfortunately, Wise was in a difficult position in terms of its ability to spot the fraud risk. Normally, it would be expected to look at payment activity and consider whether it was out of character for that customer or account. In this instance, the payment was being made from a brand-new account and so Wise didn't have any data to serve as a basis for that comparison. I've considered that this was an international payment, but a significant number of customers open accounts with Wise specifically to make international payments. On its own, the payment wasn't large enough that intervention would've been necessary.

For the sake of completeness, I've also considered whether Wise did everything it could to recover the funds from the receiving account. I can see that it did contact the receiving bank. Unfortunately, there was a significant period of several days between the payment being made and Miss C reporting what had happened. Fraudsters tend to move fraudulently obtained funds on as quickly as possible and so the prospect of their being any funds remaining in the receiving account was remote.

I don't say any of this to downplay or diminish the fact that Miss C has fallen victim to a cruel and cynical scam. I have a great deal of sympathy for her and the position she's found herself in. However, my role is limited to looking at the actions and inactions of the firm and I'm satisfied it didn't do anything wrong in processing this payment.

Final decision

For the reasons I've set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 19 November 2024.

James Kimmitt
Ombudsman