

The complaint

A company, which I'll refer to as M, complains that Wise Payments Limited failed to do more to prevent one of its accounts being used to launder stolen funds.

Mr J, who is a Director of M, brings the complaint on the company's behalf.

What happened

As the circumstances of this complaint are well-known to both parties, I will summarise them briefly below.

Mr J says he set up M as an online business for buying and selling goods. Mr J sought goods to purchase at wholesale using a virtual assistant that was provided as part of his online selling account.

Mr J was put in touch with a seller who he communicated with via a well-known messaging platform. Mr J placed an order for several bulk items and was provided an invoice for these goods. Within the invoice, Mr J was instructed to make a payment of £1,945 to a third-party account, held with Wise.

On 26 February 2024, Mr J instructed M's account provider to make a payment for £1. Mr J says that this was a test payment to ensure he'd paid the correct account. Once the seller had confirmed receipt of this payment, he then instructed the bank to make a further payment from M's account for £1,945 on 27 February 2024.

Mr J says that he did receive a delivery in the post, which he suspected to be from the seller. But this contained items he'd not purchased—and these were for a far lesser value than the items he'd ordered.

Mr J attempted to contact the seller to let them know he'd not received the order he'd purchased and to ask for a refund. But the seller ignored his messages and eventually blocked him on the messaging application where they were communicating. It was at this stage that Mr J believed M had been a victim of fraud.

Mr J complained to Wise. He was unhappy it had allowed the business account to continue operation despite being dissolved several months prior. He felt this contributed toward his loss as it made the business appear legitimate.

Wise looked into Mr J's concerns but didn't uphold his complaint. It found from the information available that this was likely a dispute rather than a fraud, as M had received goods as a result of the transfer made to its account. It confirmed that it had carried out the required due diligence checks prior to opening the account and acted accordingly when it received a fraud report from M's account provider.

Mr J, on behalf on M, disagreed with the findings reached, so he brought his complaint to our service for an independent review. An Investigator considered the evidence and testimony given by both parties, but agreed that Wise had acted fairly.

Mr J, on behalf of M, disagreed. So the matter has now been passed to me for a decision to be made.

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.

Prior to issuing these findings, I set out in detail my position on M's complaint to Mr J in a final decision linked to this matter. In that decision, I concluded that this was more likely than not a civil dispute, rather than a fraud, from the information available.

That being the case, there is no reason why Wise ought reasonably to reimburse M any of its loss here.

Having said that, even were I to be of the opinion this was a fraud rather than a civil dispute, I don't think Wise could have prevented M's loss. So, in the interests of completeness, I will set out my reasons why. I won't however refer to any personal information associated with the beneficiary account, as I'm not permitted to disclose third-party information.

Account opening

I've carefully reviewed all of the information Wise has provided regarding the account setup and can see it requested, and received, relevant documentation to verify the identity of the person applying to set up the account. I can also see that it carried out checks on the business to verify it was officially registered with Companies House and associated with the person making the application.

Therefore, there is nothing to suggest that there was a fraud concern at this stage.

Account activity

Wise is obliged to ensure its accounts aren't being used for the purposes of fraud and money laundering. And as part of those obligations, it is required to monitor transactions associated with those accounts in order to identify any suspicious or unusual activity that may indicate fraud or money laundering.

While I can't disclose specific information around the operation of the beneficiary account, I have carefully considered the statements associated with it. And having done so, I'm not persuaded that there was any activity on the account that ought to have concerned Wise. Therefore, I don't find Wise ought to have done more here.

Did Wise do what it ought to have done when it was alerted to the payments?

I can see that as soon as Wise were alerted to the report made, it acted in line with the timeframes I'd expect it to. While Wise, and I, are of the opinion this was a civil dispute rather than a fraud, it attempted to recover the funds and reviewed the account.

Unfortunately, the funds that Mr J paid into the account were transferred out of it before the report was made.

Overall, I'm satisfied Wise made no error when alerted to the allegation of fraud.

Mr J has made submissions that Wise was negligent in not closing the account sooner. He says that the company was dissolved two months prior to the transactions he'd sent to the

account. And Wise ought to have identified this and shut the account.

Wise has responded to this point, stating that it does intermittently carry out refresh checks on businesses, but one hadn't been carried out in the time between the business being dissolved and the time Mr J made the payments. I don't think this is unreasonable.

Wise has confirmed that it does carry out checks occasionally to see if businesses are still operational. And I find this reasonable considering it cannot viably check a business' status on a daily basis.

I am sorry to hear of the impact this has had on Mr J and his business, but I can't reasonably expect Wise to reimburse M's loss where there is evidence to support this is more likely than not a civil dispute between both parties. And as I have outlined above, even were I to find that M has been the victim of a fraud, I don't find Wise has made any errors here.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 28 January 2025.

Stephen Westlake
Ombudsman