

## The complaint

Mr M complains that Prepay Technologies Limited (PrePay) won't refund the money he lost in an impersonation scam.

Mr M is a sole trader and the account is a business account for his sole trader business. Mr M is also represented by a third-party, but for ease of reference I'll refer only to Mr M.

## What happened

The circumstances of this complaint are well known to both parties, so I won't repeat them in detail, instead I've set out a summary of what I consider to be the key events.

Mr M says he received a text message claiming to be from PrePay, stating that a new payee had been set up on his account. He says the text was similar to others he'd received from PrePay. Some time later, Mr M says he was phoned by someone claiming to be from PrePay, on 16 October 2023. He says he was told there had been attempts to make fraudulent transactions on his account and he needed to transfer his money to a safe account. He says the caller was convincing and seemed to know about other transactions on his account, persuading him the caller was genuine. He says the call lasted for around two hours.

He was asked to make several transactions to a new account, which he did, as follows:

Time	Amount
16:47:22	£4,126.00
16:54:57	£4,115.00
16:58:53	£4,105.00
17:00:25	£500.00

**Total £12,846.00**

After he had made the transactions, he mentioned what had happened to a family member, who thought he might have been scammed, and so he contacted PrePay, which confirmed he had been the victim of a scam.

Mr M says these were unusual transactions, which ought to have been detected and stopped by PrePay. He says they were large transactions, to a new payee, made in quick succession and which emptied the account of almost all his money. He also complains PrePay was impersonal, methodical and dismissive when he spoke to staff. He says it seemed he was being asked standard questions from a script.

PrePay says this was a business account, so new payees and large transactions would not necessarily have raised suspicions. It says Mr M received messages from PrePay about types of scams to be aware of, in February, June and October 2023. And he received a confirmation of payee (COP) notification showing a mismatch between the account payee name and account number he was being asked to transfer his money to when he set-up this particular payee.

Mr M was unhappy with PrePay's position and he brought his complaint to the Financial Ombudsman Service. PrePay subsequently refunded the third and fourth transactions to Mr M, with interest of 8% per year added.

Our investigator thought PrePay should have intervened by the third payment, as by this point, a pattern of likely fraudulent transactions was emerging. As PrePay had already refunded the third and fourth transactions, he did not recommend it should do anything more.

### **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 is no dispute that Mr M authorised the payments, even though he was tricked into doing so and was the victim of a scam. I appreciate he didn't intend his money to go to scammers. But under the Payment Services Regulations 2017, he is liable for the loss in the first instances. But the matter doesn't end there.

As a digital business banking provider, taking into account the law, regulatory rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider PrePay should fairly and reasonably:

- Have been monitoring accounts and any payments made or received to counter various risks, including anti-money laundering, countering the financing of terrorism and preventing fraud and scams.
- Have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which banks are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps, or make additional checks, before processing a payment, or in some cases declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

Mr M's account was a business account. It's not unusual for businesses to make higher, more frequent payments than might be the case with personal accounts. It's also not unusual for businesses to make large payments, sometimes several times on the same day and to new payees. I've borne this in mind when considering the point at which PrePay ought to have recognised any suspicious activity.

I've looked at Mr M's account statements for the six months before the scam took place. There were occasional payments of several thousand pounds, so an individual payment of around £4,000 wouldn't necessarily have appeared out of character. I can see that most previous payments of this size appear to have been to regular payees, not to new payees. I can see instances of multiple transactions on the same day, but not several large payments made in quick succession, that all but emptied the account. So, while the first and second transaction might not have appeared unusual or raised any concern for PrePay, I agree that by the third transaction a sufficiently clear pattern of unusual activity had emerged that ought to have led to intervention by PrePay and that such intervention would have likely exposed the fraud and prevented further loss.

I've considered whether PrePay should also refund the second transaction, but on balance, I'm not persuaded that it should. When the second transaction was made, I'm not persuaded a clear enough pattern had emerged and I note the account still had a substantial balance remaining.

### Recovery

The last transaction took place just after 17:00 on 16 October 2023 and Mr M contacted Prepay some time after that. Prepay says it contacted the recipient at 09:01 on 17 October 2023, as it was notified of the fraud outside of normal business hours. I've listened to a recording of the call between Prepay and the recipient firm and I'm satisfied Prepay was told no funds remained in the account. On balance, I consider Prepay acted within a reasonable time to try and recover Mr M's money, but his money had already been moved on.

While I understand Mr M was not happy with the way he felt PrePay dealt with his concerns, in particular that it was impersonal and he felt as if he was being read a script, I consider it likely there was standard information that PrePay needed in order to be able to investigate Mr M's fraud. Considering all the circumstances of this complaint, I'm not persuaded Mr M was caused additional distress and inconvenience by PrePay that warrants further compensation.

### My final decision

I uphold this complaint, in the sense that I consider Prepay Technologies Ltd ought to have intervened on the third and fourth transactions, but since it has already refunded these transactions, with interest, I don't require it to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 7 November 2024.

Greg Barham  
**Ombudsman**