

The complaint

Ms M is complaining about Wise Payments Limited because it won't refund money she lost as the result of fraud.

What happened

In 2023, Ms M was approached by someone she believed was from a recruitment agency offering online work. She needed to make payments to obtain the supposed work and the account statements she's provided show she made the following payments to the fraudsters:

Date	Amount £
26 October	700
26 October	1,093
26 October	30
27 October	700 (returned)
27 October	350 (returned)
27 October	360 (returned)
27 October	710 (returned)
27 October	300 (returned)
29 October	500
1 November	200
1 November	1,000 (returned)
2 November	1,000 (returned)
2 November	500 (returned)

Wise has told us the account was paused on 27 October pending further checks and this appears to have led to most of the payment instructions from that date onwards being cancelled. But it says it did allow the payments of £500 on 29 October and £200 on 1 November to go through in error and that it refunded these amounts to Ms M's account following its response to her complaint dated March 2024.

My provisional decision

After the complaint was referred to me, I issued my provisional decision setting out why I thought it should be partly upheld. My reasons were as follows:

In broad terms, the starting position at law is that an Electronic Money Institution such as Wise is expected to process payments a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of their account. In this context, 'authorised' essentially means the customer gave the business an instruction to make a payment from their account. In other words, they knew that money was leaving their account, irrespective of where that money actually went.

In this case, there's no dispute that Ms M authorised the above payments.

There are, however, some situations where we believe a business, taking into account relevant rules, codes and best practice standards, shouldn't have taken its customer's authorisation instruction at 'face value' – or should have looked at the wider circumstances surrounding the transaction before making the payment.

Wise also has a duty to exercise reasonable skill and care, pay due regard to the interests of its customers and to follow good industry practice to keep customers' accounts safe. This includes identifying vulnerable consumers who may be particularly susceptible to scams and looking out for payments which might indicate the consumer is at risk of financial harm.

Taking these things into account, I need to decide whether Wise acted fairly and reasonably in its dealings with Ms M.

The first three payments on 26 October 2023

Having considered what Wise knew about these payments at the time it received the payment instructions, I'm not persuaded it ought to have been concerned about them. One of the key features of a Wise account is that it facilitates money transfers, often involving large amounts and sometimes to overseas accounts. I'm also conscious this was a new account and there was no history of past activity against which these payments might have looked suspicious.

Wise has told us that it provided a generic warning about the risks of fraud at the time of each transaction and also asked Ms M about the purpose of the payment. It appears Ms M was presented with a list of options and chose the one that said 'sending money to friends and family', as opposed to other options that included 'paying to earn money by working online'.

In the circumstances, I don't think there were sufficient grounds for Wise to think Ms M was at risk of financial harm from fraud when she made the payments. So, I can't say it was at fault for processing them in line with her instructions

The payments from 27 October 2003 onwards

Wise has said the account was paused on 27 October pending further checks and this seems to have successfully prevented any further loss, aside from the payments of £500 on 29 October and £200 on 1 November that it accepts shouldn't have been completed.

I'm pleased to see that Wise says it's since returned this money to Ms M's account, but I don't think this fully compensates her for the errors made. Ms M was without this money for up to five months before it was refunded and there's been no recognition of the additional and unnecessary distress and inconvenience this caused. It's for these reasons that I'm currently proposing to partly uphold this complaint.

Recovery of funds

I understand Ms M first notified Wise of the scam on 5 November 2003, more than a week after the payments on 26 October. Wise has confirmed that it checked the accounts Ms M sent money to after it was notified and these had all been cleared of funds. It's a common feature of this type of fraud that the fraudster will move money quickly to other accounts once received to frustrate any attempted recovery. In the circumstances, I don't think anything that Wise could have done differently would

likely to have led to those payments being recovered successfully after this period of time.

In conclusion

I recognise Ms M has been the victim of a cruel scam and I'm sorry she lost the money she paid out on 26 October 2023. As I've said above, I currently propose to partly uphold this complaint but I realise this outcome will be come as a great disappointment because I'm not suggesting Wise should refund her losses in full.

The responses to my provisional decision

Wise made no further submissions. Ms M didn't accept my provisional decision and made the following key points:

- She doesn't recall being asked about the reasons for the payments before they were processed.
- Wise failed to apply adequate safeguards to protect her money. The payments were large, made in quick succession, and sent to unfamiliar recipients so should have raised significant concerns. Wise could have intervened by delaying the payments or asking additional questions and the lack of any intervention directly enabled the fraud.
- When she reported the scam, Wise didn't tell her that some payments had already been blocked. And when the payments of £500 and £200 were later refunded, she was subjected to extensive questioning that added to her distress.

She doesn't think the compensation proposed for her distress and inconvenience adequately reflects the extent of the harm she's endured. The financial loss caused by the fraud has had a devastating effect on her physical and mental health and she's provided medical reports to evidence this.

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.

Having done so, my findings haven't changed from those I set out previously. I haven't necessarily commented on every single point raised. I've concentrated instead on the issues I believe are central to the outcome of the complaint. This is consistent with our established role as an informal alternative to the courts. In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

Before going any further, I want to make I clear that there's no suggestion Ms M opened her account knowing it would be used to facilitate a scam. It's fully accepted that she was an unknowing victim of a sophisticated scam, that the account was opened on the fraudster's instructions, and that she didn't know about their intentions at the time.

My consideration of Wise's actions in transferring Ms M's money concentrates on the first three payments as these are the ones that weren't stopped or refunded. Wise has provided a screenshot from its records that indicates she was asked about the reason for each payment and answered each time that she was transferring money to friends and family. I appreciate it's difficult for Ms M to recall exactly what screens she went through when

making the payments given the amount of time that's passed and I can't know for certain what information appeared on her screen. But the process Wise says was completed is consistent with what I'd expect to see and I find the screenshots provided are compelling evidence that process was followed.

I understand Ms M believes Wise should have done more to intervene before these payments were processed. But in view of the information it had available, including the amounts involved, I'm satisfied its intervention was appropriate to the situation.

If Ms M had answered that she was paying money to obtain online work, I'd have expected Wise to provide much more tailored warnings about how job scams operate that may or may not have led her to realise what was happening. But in a situation where it didn't know this is what the payments were for, I think giving a generic warning about the possibility of being scammed was as much as Wise could reasonably have been expected to do and the evidence indicates such warnings were provided.

Turning to the issue of compensation, I appreciate there was a delay in the payments of £500 and £200 and the interest part of my award is intended to compensate her for not having the use of her money during that time.

I'm sorry to learn of the health problems Ms M is facing and I offer my best wishes as she continues to deal with this. But it's not clear from the evidence provided that these issues can be attributed directly to the scam. Nonetheless, I do understand this episode would have caused her considerable distress and inconvenience.

As I've outlined, aside from making the two payments of £500 and £200 on 29 October and 1 November in error, I don't think Wise should have done any more to prevent Ms M's losses. So I think any distress was primarily down to the actions of the scammer rather than Wise. But Wise's failure to stop those two payments and the delay in refunding them would no doubt have compounded an already difficult situation. After further consideration, I still believe £200 is appropriate compensation for Wise's failings in this regard.

Putting things right

The principal aim of any award I make is to return Ms M to the position she'd be in but for the the inappropriate actions of Wise. It accepts the payments of £500 on 29 October and £200 on 1 November shouldn't been processed. If they hadn't been, Ms M would have had this money available to her all along rather than having to wait several months for it to be returned. To put this right, Wise should:

- pay simple interest at 8% per year on both of these payments from the date they were made to the date they were refunded; and
- pay £200 for the unnecessary distress and inconvenience caused.

I'm satisfied this represents a fair and reasonable settlement of this complaint.

My final decision

My final decision is that I partly uphold this complaint. Subject to Ms M's acceptance, Wise Payments Limited should now put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 1 January 2025.

James Biles
Ombudsman