

The complaint

Mrs M complains of unauthorised access to her Waystone Financial Investments Limited ("Waystone") ISA. She says fraudsters accessed the ISA using details obtained from a security breach at her financial adviser, changed the bank details linked to the ISA and tried to withdraw funds.

Mrs M says the fraud was only prevented by her actions – not by her adviser or Waystone – and that neither her adviser nor Waystone will take responsibility for the breach. She seeks compensation for the distress she suffered and for harm that might arise in future from the breach and loss of security to her personal data.

What happened

On 10 October 2023 Mrs M's online ISA account was accessed. New bank details were linked to the ISA and a request made to pay £9980 from the ISA to the new bank account. Waystone has provided records showing all this was done using the access details normally used by Mrs M's financial adviser to access client accounts.

The bank account linked to Mrs M's account in this way was in Mrs M's daughter's name rather than her own, but it wasn't her daughter's account – it was an account set up in her daughter's name by fraudsters. Waystone says that because the bank details were changed using the financial adviser's credentials - and financial advisers are regulated and authorised by the regulator to act for clients - bank verification wasn't performed. It has since extended bank verification to cover such changes rather than just client-initiated changes.

Waystone says the adviser access details used to access Mrs M's account and carry out these acts couldn't have been obtained from its platform by the fraudsters or any third party – due to the format in which they were kept. It believes the fraudsters most likely obtained those details from the financial adviser instead – so it thinks it was a breach of the financial adviser's security that led to the fraudulent access.

As a result of the fraudulent access to Mrs M's account, or the breach of Mrs M's financial adviser's security which in turn allowed this access, the parties agree the fraudsters obtained access to sensitive personal data of Mrs M and financial records relating to her.

Waystone's platform sends emails to the customer when certain account transactions take place. Mrs M was accordingly sent notification relating to the account actions above. As she hadn't requested the change of bank details, she contacted her financial adviser when she received the email. Her financial adviser contacted Waystone that day. As a result of this contact the withdrawal was stopped and no money left Mrs M's ISA.

Waystone says it called Mrs M to reassure her no money would leave her ISA. It also put on 'security flags' as a precaution so account changes would trigger a verification request to her or her financial adviser. It says it continued to contact Mrs M weekly with any updates on the incident. Mrs M moved her ISA away from Waystone in November 2023.

Waystone asserts it did not cause the loss of data because it wasn't responsible for the

security breach that led to Mrs M's account being accessed. Also no money was taken from Mrs M's ISA as the attempted withdrawal was stopped when Mrs M responded to the email alert sent by Waystone's platform. Waystone says Mrs M's account was transferred so it had no direct involvement with it after that. It also says it notified all relevant authorities and engaged with the other parties to assist as far as was appropriate.

Mrs M says Waystone should have detected that the new bank details linked to her account weren't in her name – and she and her daughter had always had separate bank details.

Mrs M emphasises that neither Waystone nor her financial adviser has agreed responsibility for any breach that caused her account to be accessed – so she has had no answer as to who was hacked or how, and no reparation or apology. She also emphasises that the theft of her identity details is something she isn't sure can ever be put right and has caused awful stress with a cost on her health, mental health and her finances as she will need to pay for years of fraud and data protection services. She told us she is seeking £40,000 as redress (between Waystone and her financial adviser) for her distress, the health impact and her potential future financial costs.

Our investigator thought the fraud would have succeeded if Mrs M hadn't spotted the email notification and reported it to her financial adviser. She also noted the fraud might not have got so far if a bank account verification process had applied – and the fact Waystone had chosen later to apply one to situations like Mrs M's, suggested it ought to have done so sooner. She also thought Waystone hadn't used multi-factor authentication for adviser access on its site and ought to have done so. So she thought Waystone ought to have done more than it had done to protect Mrs M's account.

Our investigator didn't think Waystone had enabled the fraudsters to obtain the details that had been used to access Mrs M's ISA account in the first place. Our investigator concluded Waystone's contribution to Mrs M's distress was limited to distress arising when she was alerted to the fraudulent withdrawal attempt, and to the possibility of losing funds from her ISA as a result. But this loss was averted, so our investigator thought this distress was short-lived. Our investigator suggested Waystone pay Mrs M £200 for distress given all this.

But our investigator didn't think Waystone was responsible for distress Mrs M had suffered due to the ongoing security issues the loss of her data could cause or was causing her – or for inconvenience she would likely suffer in future as a result – so our investigator didn't ask Waystone to contribute to the cost of services Mrs M might use to mitigate that ongoing risk.

Waystone told us it was content to pay the £200 as its aim was to support Mrs M and help her achieve closure. But it did provide further points and comments on the investigator's findings. These further points included the following, in brief summary:

- Fraud attempts were made on accounts held for clients of Mrs M's financial adviser but also on a client of another firm associated with the adviser. A breach of Mrs M's financial adviser's email security during email communications with that other firm was likely how the fraudsters got the security details Mrs M's financial adviser held.
- Mrs M's actions may have prevented the detriment, but her actions were a consequence of Waystone's controls working effectively.

- The investigator referred to “*shortcomings*” on Waystone’s part and inadequate controls but this criticism was too strong without further context. Processes are enhanced from time to time and this incident had a bearing on that, but the incident and its cause were both exceptional. The Financial Conduct Authority and Information Commissioner’s Office hadn’t found Waystone’s systems or controls inadequate or at fault. Since 2014 and with a client base of over 140,000 there had been, aside from the linked incidents here which arose from an exceptional situation outside Waystone’s control, only one other successful fraud, which involved a far smaller sum than these later incidents.

Mrs M did want the matter to be referred for a formal decision. She has said the significant emotional, financial, and professional impact means she requests £8000 from Waystone for its part. She is also seeking a refund of 2023 management fees and the cost of a seven year subscription to a monitoring service for victims of fraud and identity theft.

Mrs M asks also for a regulatory notice to be issued for Waystone by the FCA. I mention this for completeness, but our service of course cannot issue regulatory notices for the FCA. Mrs M says her requests are proportionate and necessary to acknowledge the harm she has suffered, but also to set a standard of accountability for regulated firms. She says the initial offer was inadequate, unjust, insulting and failed to recognise the damage “*negligence and silence can inflict on innocent individuals*”.

Waystone said it had been content not to contest the £200 award not because it accepted any liability but because it didn’t benefit anyone to prolong the issue. But as Mrs M was now seeking significant compensation, it had to defend its position. It said it didn’t cause the distress or inconvenience so any award would be inappropriate. It said, in brief summary:

- Its investigation had concluded its control environment hadn’t been compromised. The FCA and ICO closed their enquiries without suggesting deficiencies by Waystone. It would be perverse for the ombudsman service to take a different view.
- The unauthorised access used access details held by Mrs M’s financial adviser. These details were likely shared (Waystone believes) with the associate financial firm that also had client accounts accessed in this incident. This sort of sharing can undermine even the most robust controls and Waystone believes is by far the most likely cause of the security breach. Waystone hadn’t communicated this to Mrs M as it hadn’t wished to cause or prolong her distress. But it did flag this to both the FCA and the ICO. Other clients of Mrs M’s financial adviser had accounts accessed as well as a client of the other financial firm – although none of those had any funds taken.
- Changes made since the fraud attempts do not indicate prior deficiencies. They are just acts of a prudent firm keeping pace with changes. One-time passcodes have become more common, but its service didn’t start as a digital one and a balance was needed between extra digital security and keeping its platform useable for its cohort of clients.
- It was wrong to say it hadn’t used two factor authentication - a memorable name was needed as well as an email and password. This was still a widely used security measure and not inadequate. Only one attempted fraud succeeded in taking funds and it was the first since the product was launched. This demonstrates robustness of controls given more than 150,000 clients. It isn’t realistic to say a system must have zero failures.
- The transactions would have come as a shock to Mrs M and her timely actions were an integral part of successfully combatting the attempted fraud, but she was alerted to it by notifications Waystone sent, which is a standard mechanism used by firms. She wasn’t required to do anything out of the ordinary in responding to these.

- Mrs M has pursued her case vigorously, as was her right, but her volume of activity shouldn't determine how much to award or whether to make an award. Since the issue arose Waystone has entered into extensive correspondence with Mrs M, over and above anything required by regulations, in an attempt to help her. This should be taken into account when considering the justification for any award.

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.

It is no doubt disconcerting and distressing to know personal details have been obtained by criminal third parties. Here this included important personal identifiers, which as a result no longer enjoy the same privacy as they had before. This understandably causes concern about future security, which is a risk that can be mitigated but can't be removed entirely.

The modest nature of our investigator's proposed award indicated she did not consider Waystone to be the cause of the loss of this privacy. I agree. The loss of privacy and the access to Mrs M's ISA on Waystone's platform appears to have been achieved using the access details belonging to Mrs M's financial adviser. I've seen nothing to suggest that the fraudsters obtained those details from Waystone – indeed it's not alleged that they were.

It is the role of the FCA to monitor and supervise a firm's general conduct and processes. My role is to consider particular disputes. Waystone says it has improved its processes since the incident in question here, but this doesn't mean its controls at the time were inadequate. I'm sympathetic to that view, but I don't need to make a finding on the adequacy of Waystone's processes in general to reach a fair and reasonable view here on Mrs M's complaint.

I say this bearing in mind the bank account the fraudsters linked to Mrs M's ISA wasn't in her name. But this or any other weakness in Waystone's process isn't what caused the loss of Mrs M's data or what allowed a third party to access her ISA. So whether weaknesses amounted to shortcomings is not material to the data loss at the root of Mrs M's complaint and the bulk of the problems she faces as a result. That said, if Waystone hadn't allowed that bank account to be linked to Mrs M's ISA account, the attempt to withdraw funds from her ISA might have ended sooner and without proceeding as far as it did.

I'm satisfied Waystone reported the incident to the FCA and the ICO and responded to the FCA's enquiries. I mention this as it tends to add weight to Waystone's assertion that the fraudsters did not gain access to Mrs M's account by hacking into its platform but rather by somehow obtaining and then misusing access details belonging to Mrs M's financial adviser.

I note that Waystone decided not to share full details of its belief concerning how the breach had arisen, due to respect for Mrs M's relationship with her financial adviser. It seems to me Waystone might have provided more detail to her sooner, but I understand its motives in not doing so. I acknowledge that Waystone provided significant support to Mrs M in responses provided to her after it had issued its final response letter to her complaint.

With all I've said above in mind, in my view Waystone did play a part in contributing to the distress Mrs M suffered but I'm satisfied that the £200 proposed by our investigator - to which Waystone had been willing to agree – is sufficient to recognise that contribution. I say this bearing in mind Mrs M didn't lose any funds from her ISA and Waystone wasn't at fault for the loss of data which is the ongoing and most significant source of Mrs M's distress.

So I uphold Mrs M's complaint in part.

I should mention that I have considered all that both parties have said and sent to us but in my decision here I have referred only to the points I judge most relevant to a fair outcome.

Putting things right

To compensate Mrs M for distress she suffered arising from the matters I've discussed above, Waystone Financial Investments Limited should pay Mrs M £200.

My final decision

In light of all I've said above I uphold Mrs M's complaint in part.

Waystone Financial Investments Limited should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 22 August 2025.

Richard Sheridan
Ombudsman