

The complaint

Mr S is unhappy because Wise Payments Limited wouldn't refund payments which he says were sent to a scam.

What happened

On 8 May 2024, Mr S opened an account with Wise. On 8 and 9 May, he made four payments into his new Wise account from UK banks. He also made two foreign currency bank transfer payments out: one for £5 on 8 May and one for £10,062 on 9 May. These went to the same recipient abroad.

Mr S later explained that a friend had told him about a low-risk investment in a company which supplied high-value goods to stores abroad. Mr S's friend had already invested in the company in January 2024. Mr S decided to invest too, so he opened his new Wise account and sent the total of £10,067 to the investment abroad. He was given a contract and told his investment would be repaid to him in one year, at three times the amount paid in.

In February 2025, Mr S's friend told Mr S that there was bad news about the investment. Mr S's friend hadn't heard from the company owners, and hadn't received any payments from the investment.

Mr S contacted a claims management company to represent him, and the claims management company reported the problem to Wise on 24 April 2025. It said that Wise's systems and controls had failed to protect Mr S from being a victim of fraud. In particular, Wise hadn't picked up out-of-character payments that indicated fraud, and if Wise had made an appropriate intervention, the fraud would have been prevented. It said that as a result Mr S had suffered preventable financial loss. It said Wise should refund Mr S with £10,067 plus interest at 8%.

Wise didn't agree, and sent its final response to Mr S's representatives on 7 May.

In this, Wise said that once a transfer is completed, it couldn't be cancelled or reversed, so it strongly recommended that the customer knew and trusted the recipient before sending a transfer. Wise also clarified that Mr S's transactions wouldn't be covered by the rules which the payment services regulator introduced in October 2024 – because they hadn't been sent to a sterling account based in the UK.

Wise said that the promise of unrealistic returns was a common tactic to persuade people to transfer funds. It suggested Mr S could have protected himself, for example by researching the investment. It quoted section 29 of its Customer Agreement which said that Wise wasn't responsible for any loss or damage that was unforeseeable. It said that the activity on Mr S's account wasn't suspicious enough to mean further intervention was required. There had only been two transfers to the same recipient. There had been multiple failures paying into the account, but that was normal for new clients who didn't know exactly how Wise worked. Wise said that it had completed the transfer orders as directed by Mr S, so it had fulfilled its contractual obligation.

Mr S wasn't satisfied and, again helped by his representative, contacted this service.

Our investigator didn't uphold Mr S's complaint.

She explained that as an Electronic Money Institution (EMI), Wise was expected to process payments authorised by a customer. Mr S had authorised the payment. But she said that this service believes that sometimes businesses shouldn't take a customer's authorisation instruction at face value, and should have looked at the wider circumstances, using reasonable skill and care.

The investigator recognised the payment had resulted from fraud, and sympathised with Mr S. She thought that Wise should have been concerned about the payment because Mr S's account was new, and the payment carried a risk because of its value. But she said that even if Wise had acted on this and provided a general written warning about the risk of scams, she believed Mr S would still have wanted to go ahead with the payment. The investigator thought there were no concerning factors which would have led Wise to opt for a tailored scam risk warning. Mr S had told Wise that the account opening purpose was to make payments to "Friends and Family," and the payments went to a personal account not to a business account.

At the time, Mr S had no reservations and was wholly committed to investing in the business on the recommendation of his friend. There was no evidence Mr S had been pressurised to make the payment. Also, Mr S hadn't reported it to Wise until April 2025.

The investigator said she appreciated Mr S had lost money but she didn't consider Wise needed to refund Mr S. Nor did she consider Wise should pay Mr S compensation for distress and inconvenience, because there was nothing to show that Wise's actions caused Mr S any more distress or inconvenience than would be expected where there had been a scam.

Mr S, helped by his representative, didn't agree. His representative said that they didn't agree that the scam wasn't preventable, saying that banks and Electronic Money Institutions (EMIs) such as Wise are trusted institutions. The representative said that if Wise provided a detailed and thorough warning, they believed the spell would have been broken or given Mr S pause. Mr S's representative asked for an ombudsman's decision.

My provisional findings

I issued a provisional decision on this complaint. This was because I'd come to the same conclusion as the investigator, but for different reasons. Issuing a provisional decision gave both sides the opportunity to comment on it, by the date set, before I issued a final decision

Before issuing the provisional decision, I considered all the available evidence and arguments to decide what would be fair and reasonable in the circumstances of this complaint.

In my provisional decision, I said I was sorry to hear that Mr S lost money, and I've looked carefully into his complaint.

Were the payments to a scam?

Wise's view is that there wasn't a scam here. It said it seemed like a legitimate opportunity into which Mr S was investing money, and the company had an established online social media presence, and Mr S received a contract. It suggested that the business seemed to have collapsed as a result of the business owner being imprisoned, which couldn't have

been foreseen. It said that investing in a legitimate business which then goes under doesn't mean it was a scam or fraud.

In my provisional decision, I explained that I thought there are aspects which pointed to this being a scam. The social media account was far from conclusive as evidence that it was a legitimate company. The fact that it appeared that the people operating the business were arrested for committing similar fraud suggested that they'd set out dishonestly to deceive and not pay out the promised returns. It's tricky to conclude for certain whether or not this was a scam. But for reasons I'll explain, it didn't make a difference to the outcome here.

Relevant codes and Rules

I first looked at the relevant rules and regulations which apply to Mr S's complaint.

Mr S's payments took place in May 2024. At that time the relevant scam protection framework was the 2019 Contingent Reimbursement Model (CRM). This was a voluntary code, to which some financial organisations signed up, with the aim of providing customers with increased protection from authorised push payment (APP) scams. Wise wasn't one of the organisations which signed up to this. But in any case it only applied to APPs made using Faster Payments or CHAPS, and made between two accounts held in the UK – and with both accounts denominated in pounds sterling. Mr S's transactions were sent to a recipient abroad and were made in the currency of the country to which he was sending them.

The Payment Systems Regulator (PSR) set out new rules from 7 October 2024, about reimbursement of victims of authorised push payments, and these applied to all payment service providers, including Wise. But Mr S's payments were made in May 2024, so wouldn't be covered by these new rules (they weren't retrospective). And in any case these, too, only applied to payments from personal accounts in the UK, made by Faster Payment or CHAPS, to another account in the UK. So that wouldn't have applied to Mr S's transactions even if they'd taken place after the new rules came into force.

This meant that I considered Mr S's complaint outside the CRM Code and the October 2024 regulations. So the outcome depends on whether Wise should have intervened when Mr S authorised the payments – and whether it would have made any difference if it had.

Should Wise have intervened?

Mr S's representative said that Wise should have picked up "out of character" payments, because these indicated that Mr S was a victim of fraud. But Mr S only opened his account on 8 May 2024, the day he paid money in and paid it out again. So there was no previous account history from which Wise could have picked up whether or not the payments were out of character for Mr S's use of the account or not.

Also, Wise is a financial technology company which offers international payments. That's what the account Mr S opened was specifically designed for, and the reason why Mr S's friend advised him to open an account with Wise to make the international payments. So the fact that money was sent internationally soon after the account was opened wouldn't have been out of line with expected use for the account. Mr S had said the purpose of the account was "Family and friends", so the payment to a personal account recipient tallied with the stated purpose. I also bore in mind that payment service providers have a responsibility to carry out customer payment instructions promptly.

However, there were risk factors here. The larger payment was for £10,062. I also saw that there were 21 attempted credits into the account from Mr S's UK bank. It's understandable

that a new customer to Wise might not initially know how to make transfers into the account, so there might be a couple of failed incoming credits. But 21 attempted credits is many more than could be explained by inexperience in making transfers to Wise. Wise also carried out some checks on the source of funds, so it thought what was happening presented a risk – and did act on that to an extent. Wise wouldn't have known why Mr S's sending bank had blocked the payments, just that it wasn't allowing them. Certainly Mr S's bank did finally allow the payments to Wise, but Wise did need to satisfy itself about any risks.

I' also took into account that the payments took place after the introduction of Consumer Duty (31 July 2023 for account types still open for applications). This means that there was a duty on Wise to prevent foreseeable harm and have effective systems in place to detect scams.

Taking all these elements into account, I considered that Wise should have intervened and queried the payment for £10,067. Wise told us that it operates risk-based scam warnings to inform a customer about a transaction which has been identified as high risk. But it accepted that on this occasion no scam warnings were issued. I considered it should have spoken to Mr S before allowing the transfer (e.g. through a live chat function or phone call) – as I thought the risks evident were sufficient to warrant tailored and probing questions from an agent, rather than an automated response or warning.

Would intervention by Wise have made a difference to what happened?

As I considered Wise should have intervened, I went on to consider whether it would have made any difference to Mr S's decision.

I was satisfied Mr S would, during the call, have been open with Wise about what he was doing. His friend had specifically advised him to use the transfer service for the payments – so I didn't consider he'd have thought Wise would have an issue with him sending money to the investment.

Wise would probably have queried why the payment was going to an individual rather than a company account, and also about the diligence Mr S had done to confirm it was legitimate. I thought it was likely that Mr S would have explained he'd found the investment through a friend, who'd already seen returns and knew the people involved, and that he was happy that he was sending the money directly to one of the founders of the company. This wasn't an opportunity involving trading commodities or an investment platform – it was seemingly positioned as providing capital for a new company to grow. Investing via the founders themselves would be less unusual in that scenario – and Mr S's friend had invested that way too, so I thought his answers would probably have reassured Wise.

Wise would have been looking out for the typical features of investment scams, once aware of the purpose of the payment: things like unsolicited contact from unregulated third party brokers, or adverts on social media, promising guaranteed high returns that were too good to be true, and using high pressure tactics to persuade people into investing through trading platforms (particularly via cryptocurrency, given it's harder to trace). But the circumstances here weren't typical of investment scams, or immediately obvious as fraud.

The returns promised on the contract were in line with what can be expected for this type of high risk seed investment (a lot of new businesses don't survive past their first couple of years, so very high returns are often offered to encourage start up investment). Mr S also took his decision to invest because of a friend's recommendation, rather than through an unknown third party broker. I'd seen the messages between the two which Mr S's representative sent us. These show a great deal of trust between Mr S and his friend, and

there wasn't any pressure evident. Mr S also questioned the returns but was reassured by the fact his friend seemed already to have received £20,000 back on his investment.

Overall, I didn't consider Wise would have been alerted to anything sufficiently concerning about the investment during a call (indeed, even now it's hard to know with certainty that this was a scam). Equally I didn't think any warnings from Wise would have deterred Mr S from making the payment, as he'd already squared away the risks that Wise could have potentially alerted him to. So I wasn't persuaded Wise would have been able to prevent the loss here.

Other matters

I considered whether there might have been any chance of obtaining funds back. But Wise told us that it has no payment recall rights with the country to which Mr S sent the payment. It explained that this isn't a Wise policy, but how the banking system in that region operates. In any case, as Mr S didn't tell Wise about his concerns until April 2025, some 11 months after the payments, I considered it was most unlikely that any money would have been left in the recipient bank account by that time. This was particularly so as Mr S's friend told him in January 2025 that he'd lost money and had had no contact from the scammers.

I also considered whether Wise should pay Mr S any compensation for distress and inconvenience. I accepted that Mr S suffered distress because of the loss of his funds. But that was the fault of the scammer, and not attributable to Wise. Although I found that Wise should have issued a warning, I also found that on the balance of probabilities that was most unlikely to have made a difference to Mr S's decision to go ahead with the investment. So I did not find that Wise needed to pay any compensation in all the circumstances of this case.

Responses to my provisional decision

Wise said it had nothing further to add.

Mr S's claims management company representative said that it had decided not to take this further and would no longer be representing Mr S in this case. The representative said it had passed the provisional decision to Mr S so he could contact us if he wishes. We didn't hear from Mr S by the date for responses to the provisional decision.

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.

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, and in the light of the responses from both sides, I consider that my provisional decision was fair and reasonable in all the circumstances of this case.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 January 2026.

Belinda Knight

Ombudsman