

The complaint

Mr and Mrs J are unhappy that IFX (UK) Ltd didn't refund payments they lost to a scam. As Mr J dealt with IFX, and for ease, I've primarily referred to his actions through this decision.

What happened

In June 2023 Mr J approached IFX to discuss some transfers he wished to make to fund an investment. He told IFX that he would be sending a total of £170,000 to a bank in Singapore to pay for a fixed term bond, arranged through an advice company I'll call "B". Mr and Mrs J had used IFX's transfer services since 2021, sending regular amounts (usually £20,000, due to the daily limit) between the UK and their bank account in Australia following retirement.

IFX requested supporting documents to confirm both the source of funds and the purpose of the payment. Later it requested emails from B confirming the investment. So Mr J sent back the investment itinerary and billing details, along with emails between him and B discussing the bond purchase. Those documents showed that the bonds were issued by a global investment bank I'll call "G", and the money to pay for them would be going to an account in Singapore in the name of a company I'll call "C" – who would hold it for escrow purposes.

IFX completed its checks and sent the money to C's account in three payments:

Date	Amount
16 June 2023	£50,025.00
21 June 2023	£50,025.00
26 June 2023	£70,043.99

In July 2023 Mr J then asked IFX to carry out a further transfer for \$165,300.19 for the same investment, but this time to the American account for C – which it sent. Then towards the end of August 2023 IFX processed a final payment of \$57,999 to those same details.

In 2024 the Australian police contacted Mr J, after tracking him down through payments made, and told him B was a scam posing as a legitimate investment company with the same name. Mr J then discovered C was in fact a watch company, not an escrow service, and he hadn't bought real bonds. On realising he'd also fallen victim to B's scam, he contacted IFX for support and asked if there were any redress schemes that might help. IFX said it had just facilitated payments as instructed by him and could not help.

Later that year Mr J was processing further payments through IFX and noticed increased security measures had been implemented, along with the introduction of the Faster Payments Scheme Reimbursement Rules. He complained that IFX ought to have protected his funds from the scam, and picked up on concerning factors when it conducted the checks on the proposed payments to the investment. IFX's final response maintained that it wasn't responsible – so the complaint was referred to the Financial Ombudsman Service for review.

One of our investigators considered the complaint and recommended it be upheld. In his view, IFX had a responsibility to protect its customer from financial harm from fraud, and the checks it conducted ought to have picked up that the payee wasn't actually an escrow service. Had that happened the scam would have unravelled and the full loss would have been prevented. The investigator didn't consider Mr and Mrs J had acted negligently, so he thought the fair outcome was for IFX to refund all the payments sent to C.

IFX disagreed, and in summary it argued the checks performed had satisfied any regulatory expectations on it in relation to Anti-Money Laundering (AML) measures. It thought the investigator was setting an unrealistic standard by concluding IFX, in its capacity as money remitter, should have advised Mr and Mrs J that the investment was a scam. However, as a gesture of goodwill, IFX offered to refund 20% of the total loss.

As no agreement could be reached, the complaint was passed to me to decide.

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, I've reached the same conclusions as the investigator, for broadly the same reasons. I know IFX disagree strongly with this outcome, and a lot of money is at stake so I've thought about it very carefully. But ultimately I've found there were signs, which I consider ought to have been clear to a payment services provider, that this wasn't a legitimate arrangement– and not recognising those has resulted in the loss. I've set out the rationale for my findings below.

In broad terms, the starting position at law is that a payment services provider like IFX is expected to process payments that its customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and any terms governing the contract or account.

But, taking into account relevant law, regulators' rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider it fair and reasonable that IFX should:

- have been monitoring any payments made or received to counter various financial crime risks, including 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. Particularly given the increase in sophisticated fraud and scams in recent years, which firms are generally more familiar with than the average customer;
- in some circumstances, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment;
- have been mindful of – among other things – common scam scenarios, how fraudulent practices are evolving and the different risks these can present to customers, when deciding whether to intervene.

IFX has referred to different pieces of regulatory or best practice guidance that sets out the expectations in terms of performing checks. Mr and Mrs J has also pointed to some relevant guidance in their submissions. I'm satisfied all of those mean IFX ought to have had effective systems of control in place to prevent financial crime like fraud, and protect Mr and Mrs J from financial harm. IFX did carry out checks here – so it accepts those are part of its responsibility as a money remitter, and that there were risk factors present to prompt them.

I also agree that the proposed payments were out of character and worthy of additional checks. I accept that a large amount overall had been sent via IFX in the past, but those were generally in £20,000 chunks and going from one account in the customers' names in the UK to another in Australia. The payments Mr J proposed were much higher, going to Singapore, and for investment purposes – so definitely carried additional risk compared to his previous activity. But I've also factored in that IFX is a money remitter, and carries out a more limited range of activities than some other firms, when thinking about what checks would be proportionate in the circumstances.

IFX asked for information about the investment to determine whether the purpose of the payments was legitimate. I don't think it was reasonable for IFX to conclude that it was, based on the information that was supplied. There were a few factors that should have stood out as concerning:

- I appreciate IFX carried out checks on the payee, but those can't be less thorough than what a simple online search would produce. Verifying the payee should involve checking they are who they say they are – and adverse media searches are often part of AML checks anyway. So IFX ought to have recognised these payments were going to a watch company, and not an escrow service. Once that happened I think the scam would have unravelled from there.
- It's unclear why an escrow service was needed – there was no discussion in the paperwork about the conditions that needed to be met before the money was released, or why the bonds couldn't be purchased directly.
- The emails between B and Mr J say that C is being used to keep the funds protected during the transaction "in case of a market crash or banking default", but that isn't why you would use an escrow service. B then goes on to explain the arrangement as ring fencing (where banks separate out retail customer funds from their investment arms), which is different to holding money in escrow.
- IFX wanted to know what the investment was but it doesn't learn that – the paperwork just says the bonds are issued by G, but the actual bonds being purchased aren't stated anywhere. That should have prompted further searches.
- In the emails B (supposedly a regulated investment firm) advised Mr J on how to get around his banks "unnecessary" security processes, and even suggested a cover story to provide the bank with over the phone. That should have struck IFX as odd.
- Once those aspects were uncovered then IFX would have been prompted to look for the more subtle red flags – like B's email address and the website link in its email signatures, both of which weren't the ones used by the legitimate version of B.

I think IFX should have been able to spot those above warning signs within the documents it obtained for the checks, prior to sending any of the disputed payments. Had it done so, the scam would have been uncovered and the loss would have been prevented. I wouldn't expect IFX to provide investment advice, but it should be able to spot aspects of transactions that indicate the funds aren't being used for legitimate purposes. I don't consider that granular investigations were needed to uncover what was going on either, as the concerning factors listed above should have been apparent following fairly cursory checks.

IFX has referred to the provisions of the Contingent Reimbursement Model Code as well as the mandatory reimbursement rules introduced by the Payment Services Regulator – but neither scheme is relevant here. I also appreciate that other firms were involved in the payment journey, but Mr and Mrs J have chosen not to complain about those and I can only consider the complaint that's been referred to me. In this case, I've decided IFX made mistakes when carrying out its checks, and those have resulted in the loss of the disputed transactions. So I consider it's fair to hold IFX liable to refund those amounts.

I've thought about whether Mr and Mrs J should bear any responsibility for this loss. In doing

so, I've considered what the law says about contributory negligence, as well as what I consider to be fair and reasonable in all of the circumstances of this complaint. That includes taking into account Mr J's own actions and responsibility for the losses he has suffered. Having done so, I've decided Mr and Mrs J didn't act negligently when making the payments. The scam was sophisticated in nature, and B's paperwork was persuasive to someone not experienced with investments. I wouldn't have expected Mr and Mrs J to spot the issues that IFX, as a regulated firm responsible for carrying out checks, should have.

I don't think the promised returns would have sounded too good to be true, and Mr and Mrs J believed they were taking advice from a legitimate company about a low risk investment. As B had cloned a real firm that made this all the more difficult for them to spot, as any research would just return results for that company, and warnings about it weren't posted until 2024. So, overall, I'm not making a deduction in the award to account for any contributory negligence.

I've thought about whether IFX could have done more once the scam was reported to it, and I've decided it couldn't have likely recovered these payments – given their destination and the time gap since sending them. I haven't seen any service issues that I think warrant an additional award either, and the simple interest added to the refund should fairly compensate Mr and Mrs J for the time they've been deprived of use of these funds.

Putting things right

In order to put things right, IFX should:

- Refund the total amount Mr and Mrs J sent to IFX as part of the scam, to fund the five disputed transactions.
- Apply 8% simple interest yearly to the refunds, calculated from the date of the payments out until the date of settlement. If IFX considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr and Mrs J how much it's taken off. It should also give them a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

I've decided to uphold Mr and Mrs J's complaint about IFX (UK) Ltd, and direct it to settle the complaint in line with what I've set out above.

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

Ryan Miles
Ombudsman