

The complaint

Mr L complains Wise Payments Limited (“Wise”) blocked and closed his account, and it has failed to return all his funds.

To put things right, Mr L wants all the funds returned to him, and for Wise to pay him compensation.

What happened

Following an internal review, Wise deactivated Mr L’s account on 5 January 2023. On 19 February 2023, Wise returned around €9,400 to Mr L. But it didn’t release €9,500 which Mr L had in account – Wise returned this to the source account on 5 January 2023.

Unhappy with Wise’s actions, particularly to not release all the funds to him, Mr L complained. Wise didn’t uphold Mr L’s complaint. In summary, it made the following key points:

- Wise has deactivated Mr L’s account permanently and this has been done in line with its terms and conditions
- After Mr L’s account was deactivated, Wise started a 60 working day due diligence review on the remaining funds. Wise received a reversal request for €9,500 and as a result these disputed funds were sent back to the remitting bank
- Wise reversed this payment in line with the terms of the account

Mr L referred his complaint to this service. One of our Investigator’s looked into Mr L’s complaint. Initially they recommended it be upheld in part. Some of the main findings they made were:

- Wise closed Mr L’s account in line with its obligations and terms of account and Wise isn’t obligated to give an explanation
- Mr L hasn’t provided sufficient evidence to prove he was entitled to the funds Wise returned to source. So Wise didn’t act unfairly in returning them
- Wise caused unnecessary delays in releasing the other funds to Mr L. Wise should have done this on 5 January 2023. As Mr L was deprived the use of these funds, Wise should pay 8% on them from 5 January 2023 up until they were released on 19 February 2023

Mr L didn’t agree with what our Investigator said. He explained that he had carried out the design and implementation of some work which was consistent with his business activity. And on this occasion, the company he was carrying out the work for wanted to pay him in crypto currency via a well-known trading platform.

Mr L says he agreed and received the payment from the business in line with the fee agreed.

He says he sold the crypto asset relating to this to a third-party who sent the funds, €9,500, into his Wise account. Mr L argues that he is the victim here of a scam perpetrated by the individual who he sold his USDT crypto asset to.

Our Investigator asked Mr L to send evidence which showed in detail, and in time sequence, that he had agreed the job with his client, they had paid him in USDT, and that he had agreed the sale of the crypto for the value he received. Mr L sent substantive information to our Investigator, which included emails and screenshots. Mr L also sent videos of him narrating what happened over a computer showing, amongst other things, his crypto trading platform, emails, and chats on messaging services.

After reviewing this evidence, our Investigator reached a different outcome. Their key findings were:

- Wise should still pay Mr L 8% simple interest on the funds that have been returned to him from 5 January 2023 until 19 February 2023 due to unnecessary delays
- Wise has important obligations to meet in terms of verifying funds in its customers' accounts. But had Wise carried out an investigation as it should have, then some of the funds wouldn't have been returned to source as they have
- That's because Mr L has provided information which shows why he received the money and that he was entitled to them. Our Investigator acknowledged Wise's comments on this new evidence, but said it should return the funds to Mr L

Wise didn't agree with what our Investigator said. In summary, its main arguments are:

- It's not fair for Wise to pay 8% simple interest on the funds that have been returned to Mr L between 5 January 2023 and 19 February 2023. These funds were returned to Mr L on 16 February 2023. And Wise held onto the funds, in line with its process, for 30 days to ensure no other claims were received
- Wise has not done anything wrong in returning €9,500 to the source account. It had sufficient grounds to do this, and the remitting bank would have carried out its own investigations too
- Its plausible Mr L has fallen victim to a scam. But even if that is the case, it took place over a third-party crypto trading platform. So Wise shouldn't be held liable. Also, Wise wouldn't have known at the time Mr L had fallen victim to such a scam
- Wise do not agree that the evidence Mr L has provided is enough to show he was entitled to the funds

As there was no agreement, this complaint was passed to me to decide. I then sent both parties my provisional decision. For ease of reference, here is what I said I was planning on deciding:

Provisional decision

"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'm planning on upholding this complaint. I'll explain why.

I'm very aware that I've summarised the events in this complaint in far less detail than the

parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything Mr L and Wise have said before reaching my decision.

Electronic Money Institution's ("EMI") in the UK, like Wise, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means EMI's need to restrict, or in some cases go as far as closing, customers' accounts.

Wise has provided me with an explanation, and some supporting evidence, to show why it decided to effectively block Mr L's account in January 2023. Having carefully considered this, I'm satisfied it acted in line with its obligations in doing so.

Wise has explained to Mr L that it received a request from the sending bank of the €9,500 for it to be reversed. I note these funds entered the account on 3 January 2023 and were returned by Wise two days later 5 January 2023.

Wise say that this request from a third-party bank, along with some other concerns it had, were enough to return the funds to source without asking Mr L for proof of entitlement – and carrying out a related investigation. I don't agree with this. Nor do I agree that it's enough for Wise to say it wouldn't have known at the time that Mr L may likely have been the victim of a scam. In such instances there's always a possibility a customer may themselves be unwitting victims of such a 'middle-man' scam.

So I think Wise failed to carry out the level of due diligence and investigation required to satisfy itself that Mr L was acting in good faith, and that he was entitled to the funds it had received a reversal request for.

In reaching this finding, I'd like to assure Wise that I've carefully considered what its terms say about money being received 'may be subject to reversal'. But I think this term suggests there is a possibility this may happen – and to my mind, that possibility is based on adequate due diligence being carried out. Which, as I've said, I don't think was.

That brings me to the crux of this complaint, which is whether Mr L has shown he was entitled to those funds and has likely been the unwitting victim of a scam. Wise don't agree Mr L has shown he was entitled to the funds, and it points to certain evidential inconsistencies to support this. However, it does accept that he may have been the victim of a scam perpetrated by a fraudster on a crypto trading platform. But it questions the validity, especially the timeline, of the evidence in terms of one of Mr L's business clients paying him in USDT well in advance of the job being completed.

I'm persuaded that the evidence Mr L has sent to this service shows that he was entitled to the funds, and that he has been the victim of a crypto related scam. My reasons for this are:

- Mr L has shown he was contacted by his client to tender for the installation of a project at an event in London in February 2023. The screenshots from the message app show Mr L had submitted his graphic mock-ups prior to 11 October 2022. Though the date of these pictures being submitted on the messenger app aren't*

visible, the following date for the next messages are – 11 October 2022

- *Mr L has said that he has a long-standing relationship with this client, and he often speaks to them on the phone and deals are somewhat informally agreed. I note from the website for the company Mr L is a director of that he carries out this sort of work, and he has done similar work for this client in 2020 at the same London event.*

The messages also show Mr L has many ongoing projects across various international destinations with this client. I'm satisfied from Mr L's testimony, and the evidence I've seen, that he agreed to carry out this job before payment terms were agreed

- *The client Mr L was carrying out this work for are engaged in providing payment systems – this also ties in with the what the London event relates to. So I think it's more than plausible that they asked Mr L if he was open to receive payment in USDT. I should point out here that USDT is a crypto asset which is linked to the value of US dollars.*

Mr L has shown that he has an account with a well-known crypto platform, and that he received payment for this job on 31 October 2022 in the value of 10,300 USDT. This is consistent with the contract he has given which explains how much Euro's and their US dollar equivalent needs to be paid

- *Mr L has also shown that he generated a code for his client to use for crypto payment on 11 October 2022. That is before payment was made to him. His client also sent him an email that day for him to submit plans to the London event organisers*
- *Mr L says he sold the crypto currency using the 'peer-to-peer' function. That means he sold it to an independent third-party. I've seen details of this exchange, and I'm satisfied that is what happened. Mr L then instructed this individual to send the funds to his Wise account.*

The funds were deposited by someone with a different name to that of the trading platform. Mr L was told this by that third-party and Wise question why this didn't make him suspicious. Its clear Mr L was new to using the crypto platform and accepting payment in this way. I accept this is something that ought to make someone who is crypto savvy to question the different name. But I'm persuaded Mr L acted in good faith and most likely didn't think too much about this given he was new to such exchanges

- *Mr L has provided substantive evidence to show his plans were made into a physical product, that more technical plans were submitted to the London event organisers for approval; email and message interactions with his client's main representative, and communications with other people working on the project. Based on this I'm satisfied this was a legitimate business activity*
- *Wise has questioned the email address being sometimes in lower case fully and at other times with some capitalised letters for Mr L's client that commissioned the project. I'm not putting any weight on this argument given such things don't make a difference to emails being sent - and these screenshots generally show the actual email address correctly in brackets*

So in conclusion, and after weighing everything up, I'm persuaded Mr L has shown he acted in good faith and had accepted payment in a crypto currency, USDT, from his client for a stand-alone project. That they had paid him after approving his plans and before the project

was completed – and this was likely based on a long-standing business relationship where trust had been built up. And Mr L had then sold this asset for it to be paid to him in a fiat currency into his Wise account.

I also find that Mr L has most likely been the victim of a sophisticated scam that he knew nothing about and where he had acted in good faith by selling his legitimately received crypto assets.

Had Wise investigated Mr L's entitlement as it should have, it would have been sent this information too and realised he had been the innocent victim of what it's referred to as a 'middle-man' scam.

Wise say it isn't liable for this loss in any case as Mr L was scammed on a third-party crypto platform. But Wise has acted improperly in not carrying out the required level of due diligence here and because of that it sent the funds back to source which it otherwise wouldn't have.

So I'm satisfied Wise must now pay Mr L the € 9,500. As Mr L has been deprived of these funds for much longer than he ought to have, I'm persuaded Wise should also pay 8% simple interest on them. But an investigation like the one it should have carried out would have taken time. So I need to think about that in terms of the period the 8% should be paid for.

That brings me onto Wise's argument that it shouldn't have to pay 8% simple interest on the other funds in the account given its process to wait 30 days in case any other reversal claims come in. I think this is a fair point given what's happened in the individual circumstances of this complaint. I also think a month is enough time for Wise to have carried out a proof of entitlement investigation, especially as the issue was contemporaneous at the time so Mr L would have found it much easier to send the information in relation to it.

Wise permanently deactivated Mr L's account. This basically means it was closed and he no longer has any use or access to it. Mr L isn't asking for his account to be re-opened and he has at least one other account with an external provider. So I don't think losing the account has caused him loss.

But given what I've said above, its likely had Wise done a proof of entitlement exercise it wouldn't have likely closed the account. Wise argue there are other reasons it would have done so. I don't need to make a finding on this as Mr L isn't looking for the account to be re-opened, but I would highlight that Mr L appears to be travelling quite often for business, so it wouldn't be unusual for him to be using various international IP addresses.

Having said that, it still means Wise didn't act fairly in closing the account in the way it did. Mr L has said Wise should pay him compensation for 'moral' reasons. I'm not sure what he means by this exactly, but from what I've seen Wise's failings have caused him to suffer distress and inconvenience – he's also talked about it causing him some financial difficulty.

After carefully weighing this up, I'm satisfied Wise should pay Mr L £300 for the distress and inconvenience it's caused him by returning his funds in the way it has and closing his account.

Putting things right

To put things right, Wise should:

- Pay Mr L €9,500*

- *It should also pay Mr L 8% simple interest on this amount from 16 February 2023 up until settlement**
- *Pay Mr L £300 compensation for the distress and inconvenience it caused”*

The deadline I set both parties to send me further evidence or comments to consider before I reach my final decision has now passed. Mr L has said he accepts what I said I was planning to decide. Wise hasn't responded.

I will now decide this complaint.

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.

For the reasons I set-out in my provisional decision – as above – I've decided to uphold this complaint.

Putting things right

To put things right, Wise should:

- Pay Mr L €9,500
- It should also pay Mr L 8% simple interest on this amount from 16 February 2023 up until settlement*
- Pay Mr L £300 compensation for the distress and inconvenience it caused

* If Wise considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr L how much it's taken off. It should also give Mr L a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

I have decided to uphold this complaint. Wise Payments Limited must now put things right as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 1 April 2024.

Ketan Nagla
Ombudsman