

The complaint

Mrs A complains TransferWise Ltd didn't do enough to protect her when she was the victim of an investment scam.

What happened

Mrs A has accounts with another bank who I'll refer to as "N" in the rest of this decision – including an ISA and a savings account – and used to have an account with Wise. Mrs A opened her Wise account in the course of the scam to which this complaint relates – she says the scammer told her to do so – and Wise closed her account shortly after she reported the scam.

In July 2022 Mrs A says she saw an advert on a well-known social media site about making money investing. She says she completed a form and was contacted and ultimately spoke to a woman who explained she could help her make money investing in cryptocurrency. Mrs A says the woman told her that she'd only need £200 in order to invest and that this would be a one-off payment. So, she went ahead.

Mrs A says she spoke to the woman every day after that and was told that her investment was growing. She says the woman told her she could make between £10,000 and £20,000 within three months depending on the trading she did for her. So, she decided to invest more as she had lots of outgoings coming up. Mrs A was, in fact, speaking to a scammer.

Mrs A says the scammer told her to open an account with Wise and helped her set everything up. She says the scammer asked her to download software to help with this. The account was opened on 12 July 2022.

Between 12 and 26 July 2022 Mrs A made 14 payments transferring just over £83,500 from her account with N to her Wise account. During that same period 12 payments totalling just over £83,500 were made from Mrs A's Wise account to ten different cryptocurrency merchants. Mrs A says she didn't make any of the payments out of her Wise account – and that they must have been made by the scammer. In other words, Mrs A says she authorised the payments into her Wise account at the time but didn't know anything about the payments out of her Wise account or authorise them.

Mrs A says the first lot of payments she made into her Wise account were in order to invest. She says she then received an email saying her Wise account had been frozen because she'd moved too much money into it and that she'd need to make further payments in order to unfreeze the account. So, she made a second lot of payments into her Wise account in order to unfreeze it. Mrs A says that she was subsequently told that this money would be used to make her more money on the cryptocurrency market. In other words, that this money would be moved out of her account and moved back in later. Mrs A says she didn't get her money back and when she tried to call the person who she'd been speaking to about her account having been frozen – another scammer – the line went dead. Mrs A says she couldn't then get hold of the woman she'd been speaking to either and that it was at this point she realised that she'd been scammed. So, she called Wise and N.

Wise looked into Mrs A's claim and said that it wouldn't be able to refund her payments and that it was going to close her account. Mrs A was unhappy with Wise's response and complained. She says she didn't get a response from Wise. Mrs A's mother passed away – suddenly and unexpectedly – shortly after she complained to Wise.

Mrs A subsequently complained to us saying that Wise hadn't investigated her claim properly and hadn't explained why it wasn't able to refund her payments or why it was closing her account. Following our involvement, Wise looked into Mrs A's claim and said that its original decision was correct. It also apologised for not investigating Mrs A's complaint and not issuing a final response and ultimately offered to pay Mrs A £400 in compensation and to return a small balance left in her account.

One of our investigators looked into Mrs A's complaint and said that they thought Wise should have warned Mrs A when she tried to make her third payment to a third cryptocurrency merchants in as many days given the value of payments she'd sent by then and the fact that they were all going to cryptocurrency. Our investigator thought that the scam would have been exposed had Wise done so. In other words, Wise missed an opportunity to prevent further loss to Mrs A. Our investigator also thought that Mrs A should share some responsibility. So, they recommended a 50% deduction for contributory negligence. In the circumstances, they recommended that Wise refund Mrs A 50% of the payments she'd made from the third payment and onwards plus an additional 8% interest from the date of payment until the date of settlement. Our investigator also recommended Wise refund the small balance left in Mrs A's account and funds that it ought to have recovered from the receiving accounts and pay £750 in compensation.

Mrs A accepted our investigator's recommendations – Wise didn't. Wise said there was no transactional history to go on and the amounts involved weren't unusual for it. In addition, Wise said that it didn't agree additional intervention would have brought the scam to light. And that it couldn't have recovered money from the receiving accounts as the cryptocurrency merchants involved were innocent third parties. Wise did, however, agree to pay Mrs A £750 for the distress and inconvenience she'd been caused. Wise asked for Mrs A's complaint to be referred to an ombudsman for a decision. Her complaint was, as a result, passed to me.

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.

Last month I issued a provisional decision. In that decision I said:

"I agree with our investigator that the third payment should have been a cause of concern for Wise as it was the third payment made to a cryptocurrency merchant in a three-day period taking the total sent to cryptocurrency merchants to just over £25,000. Wise has said that as Mrs A's account was a new account – and she'd not been asked what her purpose was for setting it up – it had no account history to go on in order to decide whether or not this payment was unusual. And it's also said that its customers often make multiple, high value transfers that might be unusual for a bank but aren't unusual for it. That might well be true, but I can see that Wise intervened when Mrs A made the third payment. In other words, it appears to have accepted at the time that this payment was a cause for concern. So, for me the question isn't whether or not Wise should have intervened – it did – rather whether or not Wise's intervention was proportionate."

I then went on to say:

"In this particular case I can see that the third payment triggered a scam warning which first asked the recipient of the warning to give a reason for the payment they were making. The reasons included "making an investment" and "paying for goods and services" and "something else". Wise says that the reason for the third payment was given as "paying for goods and services" when in fact the reason was "making an investment". And that it went on – as a result – and gave a warning that was appropriate where a customer is paying for goods and services. Wise says that had the correct reason for the payment been given – in other words, had the reason "making an investment" been given – it would have asked "did someone reach out to you unexpectedly about this investment" and "does the investment sound too good to be true", to which both answers would be "yes".

Our investigator said that they would have expected Wise to have contacted Mrs A to ask questions about the payment in question and the previous payments made. And they also said that had Wise done so Mrs A wouldn't have been able to answer Wise's questions convincingly and it would have been apparent that she was at risk of financial harm. I agree with our investigator that Wise should have contacted Mrs A to ask questions about the payment in question and the previous payments. I also agree with our investigator that the scam would have been uncovered had Wise contacted Mrs A.

I agree with our investigator that although the scammer provided Mrs A with a cover story that would have helped explain why she was transferring money from N to her Wise account, I don't think that cover story would have worked had she been questioned about the payments that were going out of her Wise account. That's because the cover story was to the effect that the payments were to help with her daughter's wedding – sending money to cryptocurrency merchants doesn't make sense if that was the case. Wise has said that the reason given for the third payment was misleading, and that this shows Mrs A would have misled it if it had asked additional questions. I agree, but that doesn't take away from the fact that the answers wouldn't have been convincing or plausible which is why I agree with our investigator that additional questions would have uncovered this scam."

I then gave other reasons why I think the scam would have come to light had Wise intervened on the third payment. Having done so, I gave my reasons why I thought it was fair that liability should be split 50/50 in this case and why Mrs A should be paid £750 in compensation.

Both parties were invited to reply to my provisional decision. Mrs A replied saying that she accepted my provisional decision and hoped to move on. Wise didn't reply.

Putting things right

Having reconsidered everything again, I remain of the view that the outcome in my provisional decision is a fair resolution to this complaint. In other words, that it's fair to require Wise to refund Mrs A 50% of the payments she sent from the third payment onwards together with 8% simple interest from the date of payment until the date of settlement. And to require Wise to pay Mrs A £750 in compensation and – in the event that it hasn't already done so – to refund the small balance left in Mrs A's account. So that's what I'm going to do.

My final decision

My final decision is that I'm upholding this complaint and require TransferWise Ltd to refund Mrs A 50% of the payments she sent from the third payment onwards together with 8% simple interest from the date of payment until the date of settlement. In addition, I require

TransferWise Ltd to pay Mrs A £750 in compensation and – in the event that it hasn't already done so – to refund the small balance left in Mrs A's account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 13 August 2024.

Nicolas Atkinson
Ombudsman