

## The complaint

Ms M complains that PrePay Technologies Limited didn't do enough to prevent the loss she suffered when she sent money to one of their customers as the result of a scam.

## What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here. In December 2021 Ms M was sadly the victim of a scam. She received a message from someone pretending to be her daughter and she was tricked into sending a payment for £1,250.25 from her bank account with 'V' to an account held with PrePay. At the time, Ms M believed this was to help pay for her daughter's rent.

When Ms M realised she'd been the victim of a scam she reported this to V. Ms M later complained to both V and PrePay. A complaint about V has already been considered by our service. This complaint wasn't upheld as our Investigator concluded the payment wasn't so unusual that V ought to have done more before processing it. Another one of our Investigators upheld the complaint about PrePay. She recommended that PrePay provide a full refund plus interest. Ms M accepted this outcome but PrePay didn't. They asked for an Ombudsman to make a decision.

In October 2023 I issued a provisional decision in which I said:

*"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 intending to reach a different outcome to that of our Investigator. So, I'm issuing this provisional decision to give everyone a further opportunity to comment before finalising my decision.*

*I'm sorry to hear Ms M lost money to a cruel scam. But despite my natural sympathy, this doesn't automatically entitle her to a refund from the business that received the payment. It would only be fair and reasonable for me to require PrePay to refund Ms M's outstanding loss if they were responsible for acts or omissions which caused it. I don't think they are, and I'll explain why.*

*Firstly, I agree with our Investigator that I don't think there were any failings by PrePay when opening the account. I can see they took correct documentation and conducted appropriate checks before opening the account. I don't think they reasonably could have known at the time that the account would go on to receive funds as the result of a scam. So, I don't think PrePay could have prevented Ms M's loss in relation to their opening of the account. The account that received Ms M's funds had only recently been opened. Below is a timeline of some of the activity on that account.*

<b>Time and Date</b>	<b>Event (Amounts are approximate).</b>	<b>Notes</b>
10.22am 3 December 2021	£1,170 credit	

11.47am 3 December 2021	£1,170 debit	Outgoing payment to 'R'
12.17pm 3 December 2021	£1,648 credit	
12.22pm 3 December 2021	£1,647 debit	Outgoing payment to 'R'
1.47pm 3 December 2021	£1,580 credit	
1.47pm 3 December	PrePay's system flagged the account for a manual review.	
1.52pm 3 December 2021	£1,580 debit	Outgoing payment to 'R'
2.24pm 3 December 2021	£1,250.25 credit	Incoming payment from Ms M.
2.27pm 3 December 2021	£1,250 debit	Outgoing payment to 'R'.
3.41pm 3 December	PrePay say they receive an email from V about Ms M's payment being as a result of a scam.	
4.58pm 3 December 2021	PrePay block the account.	

*Broadly speaking PrePay have done as I'd expect in these circumstances for a business of their size and with their resources. There is a balance to be struck between being alert to potential fraud and scams and allowing customers to freely use their accounts. And I don't think PrePay not blocking the account sooner than they did was unreasonable.*

*I acknowledge that payments arriving and being promptly spent is potentially indicative of an account being abused. But in the circumstances of this particular account, I think as an initial step PrePay flagging the activity for a review and not blocking the account wasn't an unreasonable course of action. This is in the context of the sums involved and the speed with which the outgoing payments were being made. I just don't think there was enough going on at that time, where expecting PrePay to have blocked the account was a reasonable expectation.*

*It's unclear whether the decision to block the account came about as a result of the manual review or whether it was due to PrePay seeing the email from V. But in either case, and for either reason, I don't think the account ought to have been blocked prior to 2.27pm (which is what would have been required to have made a difference to the loss suffered by Ms M). This would have required PrePay to conduct their manual review in under 40 minutes from the time their system flagged the account. And I'm not persuaded the review not happening within that time period is outside of PrePay's process (which is to do so within 24 hours). For completeness, I don't think the activity that occurred after the account had flagged means it should have been blocked sooner either – the account was pending a manual review at that time. And the further payments weren't suspicious enough to have warranted a further trigger which may have resulted in a potential account block / freeze.*

*Evidently, the above table also shows that Ms M's money had already left the account by the time PrePay were notified of the problem by V. So, I'm satisfied PrePay couldn't have retrieved Ms M's funds from their customer's account upon receipt of notification.*

*Again, I'm sorry Ms M has lost money to a scam. But as I don't think PrePay acted unreasonably in such a way that this loss could have been prevented, I'm not intending to direct them to do more to resolve this complaint."*

PrePay responded and said they had nothing further to add. Ms M responded with some comments that I'll address below.

## 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 can quite understand why Ms M thinks PrePay *“could have acted more swiftly, robustly and / or taken delaying action on an account that had already triggered their suspicious activity process.”* And I've considered her submissions on this point. But as I mentioned above, there is a balance to be struck between following payment instructions promptly and being alert to potential fraud and scams. In the circumstances of this case, I don't think there was enough at that time where I'd reasonably have expected PrePay to have delayed or stopped their customers ability to make payments such that it would have made a difference to Ms M's loss.

Ms M has also raised several further points and has also asked questions. I'll address these where I can, but I think it would be helpful to point out that our service investigates individual complaints. We aren't here to regulate financial businesses which is the role of the Financial Conduct Authority (FCA). Accordingly, I can only comment in relation to Ms M's complaint, not upon wider issues.

Ms M has questioned whether PrePay completed its manual review. She has also asked about any investigation into the setting up of the account and whether PrePay have reported matters to other financial institutions / Action Fraud. And whether PrePay were aspiring to follow the Contingent Reimbursement Model Code? She also said that PrePay should follow the money trail to detect, prevent and deter fraudsters.

The actions PrePay took (in relation to their accountholder) following Ms M's funds being spent don't impact the loss she suffered and so aren't something I can comment on in detail. And whilst I understand the points Ms M is making, PrePay aren't expected to investigate crime, that is the role of the police. I'm confident that as a regulated business, PrePay will co-operate with any police investigation upon a request for them to do so. I'm also satisfied that it wasn't reasonable to have expected PrePay to have done more to look into the payments being made to R at the time, these simply weren't so unusual or suspicious that I think that is a reasonable expectation.

Ms M has questioned whether PrePay are regulated by the FCA and has asked how many complaints we receive about them. If PrePay weren't regulated, then our service wouldn't be able to investigate a complaint about them as it is one of the requirements of our jurisdiction. And each complaint is considered on its own individual merits, so the number of other complaints received doesn't impact the outcome of this one.

Ms M also says that she doesn't think businesses like PrePay are doing enough to prevent fraud and unless they are held financially culpable, they won't change. I accept that Ms M wasn't to blame and that fraud and scams are sadly increasingly common. But I'm satisfied PrePay acted appropriately in the circumstances of this complaint. And I'm unable to comment on the wider situation as this is the regulator's role.

Ms M points out that the complaint response she received said that PrePay immediately took steps to prevent their customer from using their account. But she says the reality is that this took one hour and 17 minutes from the email received from V. Which she considers to be a stretch of the word 'immediately'. She also questions the delay between her speaking to V at 3pm and the email being received by PrePay. I can't comment on the actions of V in this decision. But if Ms M accepts she spoke to V at 3pm, then by that time her money had

already been spent from the PrePay account (at 2.27pm). So even if both V and PrePay could have acted instantly, this wouldn't have made a difference. And whilst I understand Ms M's point about the word 'immediately', I think this most likely refers to when the email was actioned, rather than when it was received.

Again, I'm sorry Ms M has lost money to scammers, and I've considered all she's said in response to my provisional decision. But overall, and whilst I understand this will be disappointing for her, I'm not persuaded to deviate from the outcome I've previously explained.

### **My final decision**

For the reasons outlined above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 30 November 2023.

Richard Annandale  
**Ombudsman**