

The complaint

Mr M complains that PrePay Technologies Limited (PrePay) have failed to refund £5,000 he lost to a vehicle purchase scam. He's also unhappy with the time it took PrePay to act once it knew about the scam.

Mr M is being supported by a representative but for ease, I'll refer to Mr M throughout this decision.

What happened

Having seen an advert for a vehicle on an online marketplace ('E'), Mr M made a payment to a third party for £5,000 on 24 January 2023. On 26 January 2023 Mr M contacted PrePay and asked the following:

'I am writing to you today as I have purchased a van from someone through ['E'] but not paid for through ['E'] as they called me. It could be legitimate I am going to the supposed address tomorrow!

But the offer seems too good to be true, I'm writing to you to see if I get there tomorrow at 11:59am and it's a scam what can you do to help me'.

On 27 January 2023 Mr M contacted PrePay to say he'd been the victim of scam. On 8 February 2023 PrePay contacted the receiving bank to see if any funds could be recovered. It replied on 8 March 2023 and PrePay contacted Mr M to say it had recovered 85 pence from the receiving bank.

Mr M complained to PrePay but it didn't uphold his complaint. It said Mr M had authorised the payment and ignored fraud warnings. Mr M referred his complaint to the Financial Ombudsman.

One of our Investigators considered the complaint but didn't uphold it. In short, she thought PrePay should've intervened in the £5,000 payment, but she didn't think that intervention would've prevented Mr M's loss. She was also satisfied PrePay had taken reasonable steps to try and recover the lost funds.

PrePay accepted our Investigator's findings. Mr M didn't agree, and so the case had been passed to me to decide.

Mr M said PrePay did nothing to protect him other than send written warnings that are sent with all transactions. And he said if he had a more tailored warning from PrePay he would've listened to its advice and not made the payment. Mr M said the situation he was in had all the hallmarks of scam, and if PrePay had intervened, the scam would've been uncovered. Mr M also wanted to know why it had taken PrePay so long to act once he told it he'd been scammed.

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 agree with the conclusions reached by the Investigator, and for largely the same reasons. I'll explain why.

But first, I'd like to say at the outset that I have summarised this complaint in far less detail than the parties involved. I want to stress that no discourtesy is intended by this. If there is a submission I've not addressed; it isn't because I have ignored the point. It is simply because my findings focus on what I consider to be the central issues in this complaint – that being whether PrePay has acted reasonably in not refunding the £5,000 to Mr M.

I should also add that where the evidence is incomplete, inconclusive, or contradictory, I must make my decision on the balance of probabilities – that is, what I consider is more likely than not to have happened in the light of the available evidence and the wider surrounding circumstances.

It isn't in dispute that Mr M authorised the disputed payment he made to a third party under the guise of buying a vehicle. The payment was requested by him using his legitimate security credentials provided by PrePay, and the starting position is that PrePay ought to follow the instructions given by their customers in order for legitimate payments to be made as instructed.

However, I've considered whether PrePay should've done more to prevent Mr M from falling victim to the scam, as there are some situations in which it should reasonably have had a closer look at the circumstances surrounding a particular transfer. For example, if it was particularly out of character.

PrePay provided generic written warnings to Mr M before he made the £5,000 payment. But it didn't flag the payment as suspicious and contact him directly to get further information about the nature of the payment before processing it. I accept that it's not unusual for customers to make a one-off large payment to a new payee during normal account activity. But looking at Mr M's account history over the previous months, I agree with our Investigator that, on balance, a payment of £5,000, which was significantly higher than any previous payment Mr M had made from his PrePay account should've given PrePay a reason to intervene before it processed the payment.

So, the issue for me to consider is what that further intervention from PrePay should've looked like and whether it would've likely resonated with Mr M enough to have prevented his loss. I also need to decide if PrePay took reasonable steps to try and recover the lost funds once it knew about the scam.

When Mr M made the £5,000 transaction several written warnings were generated. The first warning said:

'Could someone be trying to scam you? If you're not confident, don't continue this payment'.

This generated the following warning:

'What are you making this payment for?'

This then generated the following option:

‘Shopping in person or online – buying something from a company or person you don’t know.’

Selecting this option provided the following warning:

‘Are you sure about who you’re buying from? If you’ve never bought from the company or person before, do some research first.’

- ***Look at all the reviews of the seller of the product***
- ***Pay using your card or a secure platform***
- ***If you’re using something like [‘E’], make sure you pay within the platform to stay protected***
- ***Meeting in person? Don’t pay until you’ve seen the item’.***

Mr M has suggested these warnings were generic and not tailored to the situation he was in. But I don’t agree with Mr M here, and I think the warnings were clearly intended to draw out the hallmarks of a purchase scam. PrePay has also provided evidence that Mr M was presented with these warnings and selected the option to continue with the payment. And so, I must conclude that Mr M read and understood the tailored warnings he was presented with.

With that in mind, I’ve given careful thought to what difference further intervention from PrePay would’ve made. Whilst I don’t know for sure what questions PrePay would’ve asked if it had intervened in the payment, I’d expect it, at the very least, to have questioned Mr M about the payment method and whether he had seen the vehicle. And I’ve no reason to doubt that Mr M would’ve given honest answers to PrePay, and that in response it would’ve likely warned Mr M of the likelihood of this being a scam.

But the difficulty I have is that I can’t say for sure that Mr M would’ve heeded those warnings. I say that because the risks of paying outside the protection of ‘E’ and not seeing the item you’re paying for were *clearly* outlined in the written warnings Mr M read and understood before making the payment. Furthermore, as I’ve outlined above, two days after making the payment Mr M contacted PrePay for advice on what to do *if* the vehicle purchase did turn out to be a scam.

So, I think it likely the written warnings – which I think were tailored to the exact situation Mr M was in - must’ve resonated with Mr M enough to have cast some doubt on the legitimacy of the purchase. And yet he proceeded with the transaction in the hope that when he went to collect the vehicle all would be well – which unfortunately turned out not to be the case.

I’m also mindful that Mr M told PrePay after he reported the scam that:

‘So I saw a vehicle for sale on [‘E’] ... the van checked out online and the scammer on the phone was extremely convincing pretending to be an older gentleman and offered to stop the sale if I paid over the phone and was convinced he was genuine! I then transferred the money and the scammer continued to stay in contact with me until I arrived in Oxford 3 hrs away where I was supposed to collect the van.’

So, despite there being hallmarks of this being a scam - Mr M was clearly of the belief the sale was genuine up until the point he went to collect the vehicle.

Therefore, I don't think, on balance, it is likely that *any* reasonable further warning from PrePay at the time the £5,000 transaction was made would've prevented Mr M's loss.

I've also considered the action PrePay took once Mr M alerted it to the scam on 27 January 2023. I can see that PrePay contacted the receiving bank on 8 February 2023 and had confirmation on 8 March 2023 that only 85 pence remained. But even if PrePay had contacted the receiving bank on 27 January 2023, I can see that all the funds had, by that time, been removed by the scammer. And so, I can't say that any delay on the part of PrePay in contacting the receiving bank has contributed to Mr M's loss.

I appreciate this outcome will likely come as a disappointment to Mr M, and I'm sorry to hear he has been the victim of a cruel scam. However, in the circumstances, I do not consider it would be fair and reasonable to hold PrePay responsible for his loss.

My final decision

For the reasons given above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision **before 10 January 2024**.

Anna Jackson
Ombudsman