

## **The complaint**

Mr M has complained PrePay Technologies Limited, trading as PrePay Solutions, did nothing to intervene and stop payments Mr M was making which turned out to be an investment scam.

## **What happened**

Mr M has held an account with an institution (who I'll call M) for a long period of time. M is a registered agent of P.

In late 2022 Mr M saw an advert on Facebook encouraging him to invest in cryptocurrency. He got in touch and was contacted by an individual through a social media network.

At the same time, Mr M felt he'd undertaken the right checks to ensure the company he was investing with (who I'll call P) was genuine.

Someone from the company encouraged him to load software onto his laptop allowing them to help him set up an account with an electronic money provider (who I'll call S).

Mr M set up an account with S and over a six-week period transferred money from his account with M (including money he'd borrowed from family). He made six payments of £792, £2,600, £3,561, £3,626, £4,800 and £2,202. Three small credits were also received by Mr M amounting to £67.

After complaining to PrePay that he'd been a victim of a scam, PrePay told Mr M they were not required to refund him as he'd made payments to an account held in his name. Mr M brought his complaint to the ombudsman service.

Our investigator reviewed the evidence. She believed there was no attempt by PrePay to intervene and they should have noticed the increasing frequency of payments being made to S. She asked them to repay payments from the fourth onwards. However she noted Mr M should bear some responsibility for what happened and felt he should bear half of those losses.

Mr M accepted this outcome. PrePay didn't and said Mr M should bear the full loss. They've asked an ombudsman to consider 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.

Having done so, I've reached the same outcome as our investigator. I'll explain why.

Where there is a dispute about what happened, I have based my decision on the balance of probabilities. In other words, on what I consider is most likely to have happened in the light of the evidence.

I don't dispute Mr M was scammed and has lost a considerable amount of money including some that he borrowed. He has my sympathy about what he has gone through.

There's no dispute that Mr M made and authorised all of the payments. Mr M believed he was loading up his account with S enabling trading to be carried out.

I'm satisfied the transactions were authorised under the Payment Services Regulations 2017

It's generally accepted that PrePay has an obligation to follow Mr M's instructions. So in the first instance Mr M is presumed liable for his loss. But that's not the end of the story.

I appreciate that as an e-money provider, PrePay wouldn't have been subject to all of the same rules and regulations as banks and building societies. However they would importantly be subject to FCA's Principles for businesses and, under BCOBS 2, has a duty to protect its customers against the risk of fraud and scams so far as reasonably possible.

Taking these aspects into account, I consider that PrePay should 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.

Mr M fell victim to an investment scam. These unfortunately aren't particularly unusual but are invidious in the way those carrying out the scam inveigle themselves into someone's trust.

I've noted the detail within our investigator's view of 23 October 2023, along with PrePay's response to that view, dated 20 November 2023.

At no stage did PrePay intervene or ask Mr M what he was doing. I note there were generic warnings provided in-app as Mr M was making the transactions, but these bore little relevance to Mr M's situation so I can see why he wouldn't have acted upon them.

I consider that PrePay should have done more to identify the large, and unusual, payments Mr M was making to S. And if they'd done so, I believe this would have meant Mr M would have become aware he was the victim of a scam.

I say this because whilst PrePay argue that the payments were made over an extended period, I believe the trigger should be when the fourth payment was attempted. This is only three days after a payment of similar amount and would I believe have indicated to PrePay the nature of the transactions Mr M may have been making.

I can't be sure that if PrePay had intervened, Mr M would have listened to their warnings, but I've seen nothing which would indicate that he wouldn't. It's the case that Mr M had not been given any story by the fraudsters to tell PrePay. And I think there's a high likelihood Mr M would have told them he was investing with P. This would have alerted them to the nature of the scam Mr M was involved in. At this stage the FCA had issued a scam warning about P so I believe PrePay should have stopped Mr M from making any further payments.

However I'm going to be asking PrePay to only pay half of Mr M's losses from the time I believe they should have intervened. I say this because:

- I'm not convinced Mr M did carry out suitable research into the company he was trading with. There was an outstanding FCA warning and if Mr M had looked thoroughly I believe he would have noticed this. Mr M was an innocent in the arena of investing so I wouldn't expect him to be fully aware. However I think by late-2022, he may well have seen warnings about cryptocurrency and investment scams as these

were increasingly widespread.

- Online reviews of P also indicate to me that Mr M didn't carry out sufficient research into what he was doing.

I appreciate PrePay's stance that Mr M made transfers to an account in his name so believe he should pursue a complaint with S. I'm not satisfied that that account, whilst in Mr M's name, was in his sole control as I'm aware that Mr M had downloaded software to his laptop which enabled P to help him set up the account with S. So I'm happy that PrePay make good for part of Mr M's losses.

### **Putting things right**

As I believe PrePay should have intervened prior to the fourth payment being made, Mr M's losses amounted to £10,628. PrePay will need to refund half of that which amounts to £5,314, minus £14 for the two credits Mr M received. 8% simple interest a year will also need to be added to this amount from the dates of Mr M's losses (6, 7 and 9 February).

### **My final decision**

For the reasons given, my final decision is to instruct PrePay Technologies Limited, trading as PrePay Solutions, to:

- Refund £5,300 to Mr M; and
- Add 8% simple interest dated from Mr M's losses on 6, 7 and 9 February until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 19 January 2024.

Sandra Quinn  
**Ombudsman**