

The complaint

Mr I complained because Revolut Ltd refused to refund him for transactions which he said he didn't authorise.

What happened

At around 10.30 pm on 15 May 2019, Mr I had his phone stolen by thieves on a moped. They drove past him and snatched it from his hand.

Mr I went to a station to get a train home, but found his Revolut debit card was no longer working. Mr I later discovered there had been two bank transfers from his account to a person he didn't know. These were for £2,000 and £93, at 11.11 pm and 11.12 pm. The next day, Mr I rang Revolut from his partner's phone, to tell them what had happened. Revolut told Mr I to report the theft to the police, which he did.

But Revolut refused to refund Mr I with the £2,093 which the thieves had stolen. Mr I had said his phone had been unlocked in his hand at the time of the theft, but he hadn't been logged in to the Revolut app. Revolut explained that the app closes automatically after use anyway, and would have needed the passcode, or fingerprint, to log in again. So Revolut believed that the thieves must have been able to access Mr I's passcode. The passcode would also have been needed for the thieves to have set up the new fraudulent payee. Revolut said there had been nothing to suggest that the thieves had threatened Mr I to obtain the passcode. It pointed out that the terms and conditions required customers to keep their security details safe, and said that for the thieves to have been able to access Mr I's money, he must have been "*grossly negligent*" with his security details.

Mr I wasn't satisfied and complained to this service. He explained that Revolut hadn't been helpful. It could only be contacted by chat with an automated response, and by email. He wanted an apology for Revolut being slow to reply and unclear about how to solve the problem. He also wanted to get his money back.

The investigator didn't uphold Mr I's complaint. He accepted that Mr I hadn't authorised the transfers, which had been done by the thieves. But he considered it was most likely that Mr I had recorded his passcode, either on the phone itself, or in the phone case. The computer records showed there had been no failed attempts to access the app using an incorrect passcode. Once the thieves had been able to open the Revolut app, they'd changed the passcode on Mr I's phone, and had then gone on to set up the new fraudulent payee and make the transfers.

So the investigator thought it was more likely than not that the passcode was stored somewhere on or around the phone. Doing this would count as "*gross negligence*" and would mean that Revolut didn't have to refund Mr I.

Mr I wasn't happy with this. He said that everything had happened because the thieves had put in a new passcode. He said that all his savings had been with Revolut and it couldn't be a safe bank system that was only protected by a four-digit code. He said that any e-bank

should have several safety procedures before enabling money transfer, not just one. Mr I said that £2,093 was a huge sum of money for him.

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.

First, I'm sorry that Mr I was the victim of thieves and fraudsters. I do understand that this is a shocking and very upsetting situation, especially as the loss was a great deal of money, and really mattered to Mr I.

The people who are really responsible for Mr I's financial loss and distress are, of course, the fraudsters. But my job is to see whether, under the relevant regulations, Revolut has a responsibility to refund Mr I.

The relevant regulations

The relevant regulations for disputed transactions taking place in May 2019 are the Payment Services Regulations 2017. These say that the payment service provider (here, Revolut) must show the payment was authenticated. That's the technical part. The regulations also say that it's necessary to look at whether the card holder authorised the payments. In general terms, the bank is liable if the customer didn't authorise the payments, and the customer is liable if he did authorise them. The regulations also say that account holders can still be liable for unauthorised payments under certain circumstances – for example if they've failed to keep their details secure to such an extent that it can be termed "*gross negligence*."

Here, Revolut hasn't provided as much information about authentication as I'd like to see. I've asked for this, but Revolut hasn't provided it. This is frustrating, but when evidence is missing, I take my decision on the basis of what I think is most likely to have happened, taking into account what information is available, and the circumstances of the case.

Here, the evidence I do have suggests that it's more likely than not that it was the passcode which was used to authenticate the fraudulent transactions. And this existing passcode would have been needed for the fraudsters to change to a new one.

Mr I's phone was unlocked and in his hand at the time of the theft. So the fraudsters wouldn't have had to get past a PIN or security lock on the phone itself. But they would have had to gain access to the Revolut app, by using a passcode or biometric measure (such as a fingerprint). The fraudsters then set up a new payee and made the transfers.

It's difficult for me to see how it was possible for the fraudsters to do this quickly as they did here. When we asked Mr I, he said that he didn't have his passcode for the Revolut app anywhere on the phone, or inside the case. He told us that this was "*because it was a numeric code that was impossible for me to forget*."

The problem with this is that it appears from the evidence that the passcode was successfully used within a relatively short time from when Mr I said the phone was stolen. All of this suggests that the thieves found the passcode on the phone, or in the phone case – or that it was something which was so easy to guess that the fraudsters found access easy. So while I've taken everything that Mr I has said into account, I can't see any other way in which the thieves could have carried out the transactions that they did.

Revolut's terms of business require account holders to keep their security details, including passcodes, secure. In the circumstances of this case, the only conclusion I can come to is that Mr I didn't do this. And under the regulations, not keeping security details including passcodes safe, counts as "*gross negligence*." And although I do appreciate that this is hard for Mr I, who was a victim of crime, it means that Revolut doesn't have any obligation to refund Mr I.

My final decision

My final decision is that it's not open to me to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 27 July 2021.

Belinda Knight
Ombudsman