

The complaint

Miss N is unhappy that Revolut Ltd hasn't refunded her money lost to a scam, where she sent £9,373 to fraudsters.

What happened

Miss N received a call from scammers in March 2021. They said they were calling from HMRC about unpaid tax, with Miss N's former employer having not paid correctly. Miss N was told she needed to make payment immediately or else face arrest and would be taken to court. The fraudsters applied a lot of pressure and were able to make it look like they were calling from a genuine number for the Ministry of Justice.

The tactics used by the fraudsters prompted Miss N to make payments as instructed. She sent six different payments to three separate accounts, over the course of just over an hour.

Miss N reported the scam to Revolut after growing suspicious and calling the Ministry of Justice directly. She was told that she'd fallen victim and so reported the incident to Revolut. It looked into recovering her money from the recipient accounts, but it had already been moved on and only £1.03 was recovered.

Revolut said it wouldn't refund the scam payments as Miss N had authorised them. It also said it had provided her with warnings about scams at the time, after blocking attempts to make the first payment.

One of our investigators recommended that the case be upheld. She thought Revolut ought to have done more at the point it recognised suspicious activity on the account. And so she said it ought to refund all of the scam payments, pay 8% interest on the refund, and also pay Miss N £250 in compensation for the way it had handled the claim.

Revolut disagreed, maintaining what it had said about blocking payments and providing a warning. It also didn't feel that an attempt at direct contact with Miss N would have made a difference. It believes Miss N would likely have made the payments no matter what it had said or done.

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'm upholding the complaint. I'll explain why.

I accept the transactions were authorised payments, even though Miss N was the victim of a sophisticated scam. She used the Revolut banking app and her security information to make the payments. So, although she didn't intend the money to go to the fraudsters, under the Payment Services Regulations 2017 and the terms and conditions of her account, Miss N is presumed liable for the loss in the first instance.

However, taking into account the law, regulators' rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider Revolut should fairly and reasonably:

- Have been monitoring accounts and any payments made or received to counter various risks, including anti-money laundering, countering the financing of terrorism, and preventing fraud and scams.
- 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 (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which banks are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, before processing a payment, or in some cases declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

It seems quite clear from the account history that the transactions on Miss N's account were unusual and suspicious. There isn't really any disagreement about this point as it's clear that Revolut did flag the first payment. It actually blocked the attempt to make that payment four times, and so it's quite clear Revolut felt Miss N was at risk of financial harm. So the question is whether Revolut did enough once it suspected there was a high risk of fraud.

Did Revolut take appropriate action in identifying and responding to the risk of financial harm?

Revolut has said the following warning was displayed each time the attempted payment was blocked:

Review transfer

Our systems have identified your transaction as highly suspicious. We declined it to protect you.

If you decide to make the payment again anyway, you can, and we won't decline it. As we have warned you this payment is highly suspicious and to not make the payment, if the person you pay turns out to be a fraudster, you may lose all your money and never get it back.

You can learn more about how to assess this payment and protect yourself from this link: <https://takefive-stopfraud.org.uk/>

Miss N had to acknowledge this message in order to move on. She has said that she has no recollection of doing so. She's also said that she doesn't recall a warning about not paying a new recipient unless she knew the person, though it seems likely, based on the available evidence, that she was presented with such warnings. Her memory of all that happened is somewhat blurred and she's said that's likely down to her pre-existing anxiety. Miss N has described how it triggered to such an extent on the day of the scam that she actually passed out for several minutes.

Revolut believes the warning it gave was enough in the circumstances. And it's said how it can't give detailed warnings about all the different types of scam that a customer might be falling victim to. But I'm satisfied it ought, fairly and reasonably, to have done more here.

Banks are expected to carry out the payment instructions it receives from its customers. But that isn't without exception and the broad regulatory landscape obliges banks to protect its customers from fraud and financial harm. And here, Revolut had taken some steps to stop the payment journey and to put Miss N on notice of the risks. But I'm not persuaded the action taken was enough to protect Miss N, particularly when considering how the pattern of spending continues to present as being high risk in terms of known patterns of

fraud (multiple new payees, payments made in quick succession, the balance of the account being cleared repeatedly).

The warning Miss N was given was very generic and didn't highlight what the risks of making the payment might be. Miss N was given no context as to what Revolut thought might be wrong or how she might protect herself (aside from simply not proceeding). And it is the case, as I've mentioned, that once the warning had been given, the account activity became more suspicious, not less so. And yet no further intervention from Revolut was forthcoming.

Without proactive steps to 'break the spell' of fraudsters, customers will often proceed with the payment they are making. They are unaware that they are caught up in the scam. And when sophisticated elements such as number spoofing are involved, then the scam becomes significantly more persuasive. A generic and unspecific warning is unlikely to have the required impact on a customer that has been manipulated into action through a combination of sophisticated means and fear. It's here where direct contact with Miss N would likely have made the difference. That might have come in the form of Revolut contacting her directly, or by requiring her to contact Revolut herself to speak to a member of staff before being able to proceed.

I believe that had a conversation taken place the scam would have been quickly revealed, given Revolut ought to have been in possession of substantially more knowledge than Miss N in terms of how these scams operate. Had it questioned the details of why she was making the payments it seems more likely than not Miss N would have explained she was paying overdue tax to HMRC. She doesn't appear to have been given a cover story and so had no reason to lie to the bank. And that detail alone, about paying overdue tax to HMRC, would likely have been enough to put Revolut on notice that something definitely wasn't right. It ought to have then given Miss N clear and specific warnings about what she was doing, and I believe that would have broken the fraudsters spell. I'm not persuaded by Revolut's argument that she would have continued anyway, despite the details of the scam being explained to her. And that is supported by the fact that she does uncover the scam herself not long after making the final payment.

I find then that had Revolut acted appropriately once it had identified the risk of financial harm the loss would have been avoided in full. And so it ought now compensate Miss N for that loss and refund the money that hasn't been recovered, totalling £9,371.97.

Our investigator recommended that 8% simple interest be paid on the refund. That rate would normally be applied when it's apparent – and I'm broadly summarising here – that a customer has been deprived of the use of their funds, or where they had plans to use the money elsewhere. But Miss N has explained to us that she intended to keep the money in her savings account for a long time, whilst she saved up to buy a house. And so I believe the fair award in terms of the interest is to match her savings account rate. Miss N has explained that's 0.1% and so that is the rate I'm awarding.

Should Miss N bear some responsibility for the loss?

I've thought about whether Miss N ought to bear some responsibility for her loss, considering her actions at the time of the scam. But here, Miss N received a call on a spoofed number. She checked that number online before making any payments. And I don't think it should be underestimated how powerful that can be in affecting a customer's decision making. Most people won't be aware that such a technique is even possible.

This number spoofing was then backed up with faked correspondence that did look like it had been produced by HMRC. It's true that when the letters are studied thoroughly there is

some phrasing that doesn't sound right. But, in the heat of the moment, when a fraudster is employing a range of tactics including fear and pressure, it's understandable to see how someone may not pick up on these warning signs.

I've already given my thoughts on the warning that Revolut presented. But I'll repeat here that I don't believe it did enough to put Miss N on notice of the specific risks she faced. And it didn't identify what Revolut ought to have known were common tricks employed by fraudsters. Neither was there any detail as to why Revolut thought the payment was suspicious.

In considering all of the circumstances of the case I don't find Miss N should bear any responsibility for the loss by way of contributory negligence. She was the victim of a sophisticated scam, unaware of the risks in making the payments she did. Revolut, as the expert in the relationship, ought to have done more.

Distress and inconvenience

Having read through all of the available correspondence and having listened to a number of calls Miss N has had with our service, it's clear she's suffered a great deal of distress as a result of losing this money. That's no doubt been made worse as a result of her pre-existing anxiety. And I'm conscious that the principle cause of Miss N's distress has been the actions of the fraudster; it's they that initiated this series of events.

However, I'm also mindful that Revolut could have and ought to have prevented the scam from happening at the point the first payment was being made. Had it done so, Miss N would have suffered little to no distress. Whereas she has now endured several months not knowing whether she might get her money back.

I can also see that Revolut could have handled Miss N's claim better in terms of its communication with her. I can see Miss N was regularly seeking updates from Revolut about what was happening with her claim. I wouldn't necessarily expect Revolut to have an update for her at every time of asking. And I appreciate it will have different departments that deal with customer queries, complaints, and fraud investigations. But I believe Revolut could have been much clearer about what would happen with her claim and subsequent complaint. And it could have done so sooner than it did. The timescales for a response, for example, weren't explained properly until Miss N had asked numerous times when she'd hear back.

At one point Miss N received £1.03 back from one of the accounts controlled by a fraudster. Miss N was clearly alarmed by this. She was concerned that the accounts were still active, and she had no idea how or why the money had appeared back in her account. It seems she believed she was still at risk of further financial harm. But when she questioned this with Revolut it gave no answer as to where the money had come from or what was happening. I don't believe it's unreasonable to suggest Revolut could have been clearer with her about what was happening.

With all of this in mind I'm in agreement with our investigator that Revolut ought to compensate Miss N for the distress and inconvenience suffered; it should pay her £250.

Putting things right

Revolut Ltd should now:

- Refund Miss N's remaining loss, which stands at £9,371.97;

- Pay interest on that sum at 0.1% compound per year. If Revolut deducts tax from this part of the award it should provide a tax deduction certificate to Miss N so she can reclaim the amount from HMRC if eligible to do so ; *and*
- Pay Miss N £250 compensation for the distress and inconvenience suffered.

My final decision

I uphold this complaint against Revolut Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 14 September 2021.

Ben Murray
Ombudsman