

The complaint

Mr S complains about Revolut Ltd's actions in relation to a scam in which he lost £3,888.

What happened

In January 2021, Mr S received a call from a fraudster pretending to be from HMRC – who he genuinely owed money to at that time. The fraudster told him he needed to pay immediately, or he'd be arrested and taken to court. He transferred £3,900 into his account, then transferred £3,888 to the fraudsters over four transactions. Later that same day, he realised the call was a scam and reported it to Revolut. It attempted to recover the funds, and initially couldn't do so – but has since been able to recover one payment of £993.

Revolut considers Mr S liable for the remaining loss. But our investigator recommended that it should refund the outstanding £2,895, plus interest, and pay £100 compensation. He didn't think it had taken appropriate action to prevent the loss, despite identifying the first payment as suspicious. But Revolut says its response was sufficient as it initially blocked the payment and displayed a warning message. As Mr S dismissed this, and as he genuinely owed money to HMRC, it doesn't think that further action would have prevented the loss.

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 conclusions as the investigator. I'll explain why.

I accept the transactions were authorised payments, even though Mr S was the victim of a sophisticated scam. He used his security credentials to request the payments. So, although he didn't intend the money to go to the fraudsters, under the Payment Services Regulations 2017 and the terms and conditions of his account, Mr S 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.

Mr S's transactions were relatively high value payments, made in quick succession to new payees, utilising around 97% of the account balance – nearly all of which had been transferred in immediately prior. These are common indicators of fraud or scams. It seems Revolut accepts this, as it has confirmed that it identified the first payment as suspicious. So what I've considered is whether it did enough in response to this.

Did Revolut respond appropriately to the risk of financial harm from fraud that it identified?

Revolut has explained that it blocked the first payment and displayed a message which said:

“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 of 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/>”

Mr S clicked “OK” to this message and proceeded to make the payment again, followed by three more payments – which weren't blocked. Revolut has also shown us the warning it displayed when Mr S added the new payees. This said not to pay them if he was unsure he knew and trusted them, and explained that fraudsters can impersonate others.

Revolut considers this response sufficient in the circumstances. But as a matter of good industry practice, I think it ought fairly and reasonably to have done more. While I appreciate that banks are generally expected to follow payment instructions, that isn't an unfettered duty. Reasonable checks and balances are also required as part of the broad regulatory landscape to treat customers fairly and to safeguard against the risk of fraud and financial harm. I accept there's a limit to what a bank can reasonably do; and I still expect consumers to take responsibility for their own decisions – and possibly bear some of the loss if there is clear evidence of blame on their part (see below). But in this case, I'm conscious that Revolut had already disrupted the payment journey by blocking the payment. And I'm not persuaded that the subsequent action it took was enough to meet its obligations to protect its customer from financial harm from fraud.

I appreciate that Revolut warned Mr S that it considered the transaction to be “highly suspicious”. But the warning didn't explain why that was. And Revolut then allowed Mr S to make the payment without knowing anything more about the purpose of the payment or the circumstances surrounding it. It also didn't intervene further with any of the subsequent transactions – despite these, in my view, appearing more suspicious. As mentioned above, the pattern of payments to new payees in quick succession, utilising most of the available balance, fits a common pattern of fraudulent activity.

An important feature of the type of scam Mr S fell victim to is that the consumer is induced to make the payments themselves, and that they're unaware of the scam. That affects the impact of a warning like the one Revolut used in Mr S's case. It didn't give any further information about *why* the payment appeared suspicious – or any information about the type of scam he was at risk from (or really any scams). In the circumstances, I think it would have been more appropriate for Revolut to contact Mr S directly, or require him to get in touch, to make further enquiries about the payment.

It doesn't appear that Mr S was given a cover story for these payments. So if asked by Revolut, I think he would have explained that he'd been told that he needed to make immediate payment to "HMRC" – or he'd be arrested and taken to court. I would then have expected Revolut, which would have more awareness of common scams than Mr S, to have realised this was a scam. As the financial professional in this situation, I consider it likely that, if it had explained its concerns to Mr S, this would have "broken the spell". This is supported by the fact Mr S realised the scam himself once away from the influence and sense of urgency created by the fraudsters during the call.

Overall, if Revolut had responded appropriately to the risk it identified, I think it would likely have revealed the scam and prevented the loss. As mentioned above, it did manage to recover one payment, but Mr S is still £2,895 out of pocket. So I think Revolut should refund this amount, as well as paying interest for the loss of use of the funds.

Should Mr S hold some responsibility for his loss?

I've considered whether Mr S should hold some responsibility for his loss by way of contributory negligence. I'm conscious he received the call at a time when he did genuinely owe money to HMRC, making the payment demand and threat of court action seem more plausible. The scammers employed tactics, such as the threat of arrest, to create a sense of pressure and urgency – to make it more difficult for him to identify and reflect on any potential warning signs. And I don't think Revolut's warning was enough to put him on notice of these either – bearing in mind that he was a "layperson", whereas Revolut ought to have been familiar with this type of scam. The warning contained nothing specific about the scam or why the payment was viewed as suspicious. In all the circumstances, I don't think there was contributory negligence here. Mr S was simply a victim of a sophisticated scam. He didn't foresee the risk and wasn't partly to blame for what happened.

Distress and inconvenience

As well as the financial loss Revolut failed to prevent, I think its handling of his fraud claim caused him avoidable distress and inconvenience. I'm mindful it was the fraudsters, rather than Revolut, who put Mr S in this difficult and upsetting position in the first place. That said, I've found that Revolut could have done more to prevent the scam from going ahead – which would have reduced the stress and financial pressure on Mr S. I can also see it was difficult and upsetting for him to engage with Revolut during the claim. He had to chase up to get a clear response on whether it would refund him. In the circumstances, I consider it fair and reasonable that Revolut should pay Mr S £100 compensation for the distress and inconvenience it caused.

My final decision

For the reasons given above, I uphold this complaint and direct Revolut Ltd to:

- refund Mr S the remaining £2,895 he lost as part of the scam;
- pay 8% simple interest from the date the payments left the account to the date of settlement; and
- pay £100 compensation

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 10 September 2021.

Rachel Loughlin

Ombudsman