

The complaint

T, a limited company, complains that Revolut Ltd won't refund the money it lost when it was the victim of a scam.

T is represented in its complaint by its directors, Mr L and Mr V.

What happened

I issued my provisional decision on this complaint on 12 August 2021. The background and circumstances of the case and the reasons why I was minded to uphold it, in so far as I agreed that Revolut's offer to refund 50% of the loss plus 8% simple interest on the full amount of the loss from the date of the payment to the date of settlement was a fair resolution were set out in that decision. I have reproduced the provisional decision in italics below:

T was looking to source medical protection products to fulfil a client order. It contacted a potential supplier it had found on a professional networking website. Mr L says he checked the supplier's details on Companies House and everything matched up. He also explains he has associates who have done business previously with the supplier's sister company.

The supplier held themselves out as being based in North London and provided further details including a product catalogue and photographs of the items.

Mr V told the supplier he wanted to inspect the goods before placing an order. The supplier said that he was unable to allow visitors into the warehouse because of Covid-19 restrictions but instead provided a video recording of the warehouse containing the stock T was interested in.

Mr L explains that they had researched the company online and found some reviews to suggest the products were perhaps not top quality but did not see anything to suggest the operation was a scam.

Mr L and Mr V decided to go ahead and placed an order. They received an invoice for the sale from the supplier. On 24 November 2020, T paid £12,384 to the account details provided in the invoice. The payee account details did not match the name of the purported supplier, but Mr L and Mr V were not aware of this at the time the payment was made.

Unfortunately, Mr V discovered that someone had cloned a genuine businessman's name and company details to do a fraudulent deal. Mr L contacted Revolut to try and get the payment reversed. Revolut contacted the beneficiary bank to investigate further but no funds remained to be returned to T.

Mr L then made a complaint. He could not believe how little support Revolut had offered and felt the bank should have checked the name on the receiving account matched the account details.

Revolut issued its final response in December 2020. It said it was unable to uphold T's

complaint and there was nothing more it could do. It explained the payment had already been made when Mr L first contacted the bank and that it had tried to recover the funds from the beneficiary bank quickly.

Our Investigator looked into the matter and thought that Revolut should have done more. She said the payment was unusual when compared to T's general account activity. She thought Revolut should have made further enquiries about the purpose of the payment before allowing it to be made. She thought Revolut would have been aware of the prevalence of scams involving medical supplies at that time and should have asked if the money was going to the correct place. She noted Mr L and Mr V had been given a substantial amount of information which indicated they were interacting with a genuine business. She was persuaded Revolut needed to intervene and warn them about the scam risk and that this would have prompted them to check the payee name they had been given more carefully. She thought Mr L and Mr V would have reconsidered making the payment as a result. She concluded that Revolut should refund the payment made in full, along with 8% simple interest from the date the payment was made to the date of settlement.

Revolut responded to say it agreed that an opportunity was missed to discuss the payment Mr L and Mr V was making in more detail. But it was not persuaded that the outcome would have been any different even if it had asked additional questions.

It highlighted the sophistication of the scam and the lengths the fraudster went to in order to deceive them. It said the only potential sign of deception was the discrepancy with the beneficiary's account name. It thought the fraudster could have provided a plausible explanation for this if challenged. It felt there was no guarantee that Mr L and Mr V would have not continued to make the payment. It offered to refund half of the loss T incurred, plus 8% simple interest on the whole amount lost from the date of the payment to the date of settlement.

Mr L and Mr V considered the bank's offer but did not feel able to accept. They proposed getting back all of the loss and asked the bank to consider that instead, indicating that they would be willing to forego the interest for being deprived of the funds.

Revolut maintained its stance. It pointed out there was a considerable amount of information to suggest T was dealing with a legitimate business. It suggested the discrepancy with the payee did not necessarily point to any wrongdoing either. It highlighted that Mr L and Mr V did not notice it at the time and suggested that companies can have different structures and more than one account for payment for genuine reasons. It felt that if it had questioned the payment at the time, it is more likely than not that Mr L and Mr V would have been able to provide sufficient evidence to satisfy Revolut that the payment T was intending to make was genuine.

Mr L and Mr V were disappointed that Revolut did not wish to refund the full loss. They pointed out that Revolut had recently increased security measures for online payments and suggested that had these measures been in place when they made this transaction, they would have avoided making payment to a fraudulent beneficiary in the first place.

As no agreement could be reached, the matter has been referred to me to decide.

What I've provisionally 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.

I've looked at what I think is the heart of the matter here, being; should Revolut have

recognised T's payment as being suspicious and intervened, and if it had done so, would it have made a difference to what happened.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

Having considered whether Revolut could, or should, have done more to stop T making the payment it did, I don't think I can fairly or reasonably ask Revolut to take responsibility to refund all of the money T has lost. I can understand this will be a very disappointing outcome for Mr L and Mr V so I will explain why.

I accept T has been the victim of a sophisticated scam. It's clear that losing a large amount of money to the scam has caused problems with T's clients and placed Mr L and Mr V under a lot of stress. I don't underestimate the difficult time they have had. But that alone doesn't mean T must be reimbursed in full by the bank. That all depends on whether the bank did anything wrong – that is, could it have done any more to prevent the scam from taking place or intervened so that Mr L and Mr V would have realised what was happening and stopped before sending the money.

In broad terms, the starting position at law is that a bank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. Although the money was not intended to go to a fraudster, T is presumed liable for the loss in the first instance.

But taking into account the law, regulator's 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 make 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.*

Revolut should be on the lookout for unusual and out of character situations, such as a customer making a larger payment than they would typically make to a new payee. These can be indicators that a transaction could involve fraud or be the result of a scam.

Revolut has already accepted that it should have done more to satisfy itself that T was not at risk of making a payment that would cause it financial harm. Whilst Revolut has accepted that it ought to have intervened, this in and of itself isn't enough for me to say that the bank should refund all of the money T went on to lose. I also need to be persuaded that its intervention would have made a significant difference and ultimately prevented the payment from being made. When making that decision, I have to base my findings on the balance of

probability – that is, what I think is more likely to have happened, taking into account what I know from the information that is available to me.

I've gone on to think about whether Revolut's intervention would have prevented T's loss. On balance, I'm not persuaded interaction with the bank would have been enough to stop Mr L and Mr V from sending the money.

Would Revolut's intervention have made a difference?

If the transaction had flagged up as being unusual, I'd have expected Revolut to have contacted T and asked questions about the nature and purpose of the payment it was making.

I think T would have told Revolut it was purchasing personal protection equipment. I am persuaded that T would have been open with the bank about the sale as at this time it believed it was purchasing from a genuine company.

When our Investigator considered the matter, she felt Revolut ought to have known how purchase scams operate, particularly scams involving protective medical supplies which were more prevalent due to Covid-19 pandemic. I accept at the time this scam happened protective equipment was in high demand and there were media reports of fraudsters accepting payment but not then going on to supply goods.

Revolut says it would have asked T about the purchase order and the correspondence that had been exchanged with the supplier. I think the answers T would have likely given Revolut to any questions it had asked would have been persuasive and plausible in all the circumstances.

I'm mindful that this was a sophisticated scam. The fraudster had cloned a real businessman and his legitimate registered company. The fraudster had provided professional looking correspondence which tallied with the evidence observed on both the social networking website and on Companies House. The fraudster had provided T with a product catalogue and there was nothing to indicate that the price T had been quoted was alarming or too good to be true. The fraudster had also provided video footage showing the goods in a warehouse. I have watched this recording and the fraudster refers to Mr V by name so it is apparent that it was recorded specifically at his request and was not standard footage.

In addition to this, Mr L and Mr V needed the items to fulfil a client order due the next day. Looking at the situation as a whole, I'm not persuaded that intervention from Revolut would have prevented the payment from being made.

The sophistication of the scam that tricked T was such that I don't think Revolut would have had reasonable cause to suspect the transaction was linked to scam. It's likely the information T would have provided if asked to do so would have been enough to satisfy Revolut that T was not at risk of financial harm. So I don't think Revolut's failure to intervene has resulted in the loss T has suffered.

Mr L and Mr V have raised concerns that the payee name did not match the account they were expecting to pay. They have pointed out Revolut has recently introduced a process to check the intended payee's name against the name of the recipient account and highlight if they do not match. I understand that with the benefit of hindsight this discrepancy might feel like an obvious indicator that something was amiss. But the payment at the heart of this case happened before this process was put in place. So I can't hold Revolut responsible for this reason when that system did not operate at the relevant time.

I've also thought what Revolut did when Mr L reported T had been the victim of a scam. From what I have seen, Revolut contacted the receiving bank quickly when it learned of what had happened but sadly no funds remained to be recovered.

I appreciate how strongly Mr L and Mr V feel about what happened and how it is not fair that T has lost out as a result. But the blame here lies with the actions of the fraudster who set up an operation deliberately designed to trick people into sending money under false pretences.

Looking at everything, I think Revolut's offer to refund half of the money T lost plus 8% simple interest on the whole amount from the date the payment was made to the date of settlement would be an appropriate resolution to this complaint.

Responses to my provisional decision

In my provisional decision I asked both parties to send me any further evidence or arguments that they wanted me to consider.

Mr L responded on T's behalf. In the call recording I have listened to, he explained he felt at a loss about the decision and didn't understand how the proposed outcome could have changed so much when no additional information had been provided by either party.

He said T would have never fallen victim to the scam in the first place if Revolut had put Confirmation of Payee in place at the time the payment was made. He said Revolut should be paying the full amount of the loss as they had failed by not implementing this earlier.

He pointed out that T had made a number of checks to cover their side before going ahead and this was a sophisticated scam. He said the only potential oversight on T's part was not noticing the small adjustment in the email address. He didn't think it was fair for this oversight to represent such a large loss to his business.

He highlighted that the CPS are still looking into the case and provided paperwork from the Police to show an investigation into a suspect was ongoing, although T had been told the suspect has no assets so the investigation is ultimately unlikely to result in any funds being recovered. Mr L explained the Ombudsman Service was T's only hope of reclaiming the loss T has incurred from the scam. On this basis, he asked for me to consider the matter again.

Revolut did not respond, so I have assumed that it had nothing further to add.

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, whilst I am very sorry to disappoint T, I see no reason to depart from the conclusions I indicated in my provisional decision. I'll explain why.

I wish to clarify that I have not reached my position on the basis that T overlooked a small adjustment in the email address. I am in agreement with T that this was a very sophisticated scam and I don't think T missed any obvious indications that the transaction was not what it seemed to be. But this does not mean that Revolut must reimburse the full loss T suffered. Revolut has not given any commitment to reimburse customers who are not to blame for the success of a scam. So when considering this matter, I can only assess whether Revolut acted fairly and reasonably in allowing the payment to leave T's account and whether it could have done any more than it did to try and recover the money T lost.

Revolut has accepted that it should have intervened to make enquiries about the payment before processing it and that it did not do so. This is why it made an offer of compensation to T. In my provisional decision, I explained that I had to think about what most likely would have happened had Revolut intervened when it should have done. If that intervention would have made a difference and would have uncovered the scam, it might be fair and reasonable to say Revolut is responsible for the resulting loss. But I explained I was not persuaded that an intervention from Revolut would have stopped T from making the payment and incurring the loss. I said this bearing in mind the sophistication of the scam. I still feel it is more likely than not that T would have given plausible and compelling answers to all of Revolut's questions about the situation had it been asked. I don't think Revolut would have been able to identify that T was at risk of financial harm by going ahead to make this payment.

Mr L has suggested that Revolut has failed by not implementing Confirmation of Payee earlier. But at the time the payment was made, a payment would be deemed correctly processed upon being sent to the account number and sort code instructed by the payer. There was no regulatory requirement for Revolut to carry out any additional checks beyond this. So I can't say that Revolut acted incorrectly when it fulfilled the payment request T asked it to, based on what it was required to do at the time.

The implementation of the Confirmation of Payee system to verify payee names required the participation and co-operation of multiple banks to allow that information to be shared. Importantly, this wasn't a change one bank could decide to implement itself – it could not have had ready access to the payee name details held at other financial institutions. So it would not be reasonable for me to find Revolut at fault for not doing more than it did to prompt checking of the payee name when to do so required a system not yet implemented, and one it could not implement in isolation.

I understand Mr L's strength of feeling about this matter. He's explained that this is money that T can ill afford to lose. It's clear that T has been the victim of a crime and although investigations that may lead to a prosecution are ongoing, from what Mr L has provided to us, it seems unlikely that they will lead to T recovering the loss. But I have to decide whether Revolut are responsible for an act or omission that either allowed the scam to happen or resulted in a failure to recover money that would have otherwise been returned. For the reasons I have explained, in the circumstances of this case, I don't think T would have been in a different position if Revolut had done more than it did. As such, I can't fairly ask Revolut to do anything further than it has already offered.

My final decision

For the reasons set out above and in my provisional decision, I have decided to uphold this complaint against Revolut Ltd in so far as I consider its proposed offer to be fair compensation.

To put things right, Revolut Ltd should now:

- Pay T 50% of the loss it incurred (£6,192) plus
- 8% simple interest on the full loss from the date of the loss to the date of the refund, less any tax lawfully deductible.

Revolut should provide T with a tax-deduction certificate upon request.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 4 November 2021.

Claire Marsh
Ombudsman