

Complaint

Mr H is unhappy that Revolut Ltd hasn't reimbursed him after he fell victim to an investment scam.

Background

In April 2022, Mr H fell victim to an investment scam. He contacted an account on a social media platform that purported to offer investment advice. He said that the profile matched that of a genuine account run by his friend, but he suspects that the profile was cloned by a fraudster.

The fraudster persuaded him to invest his money in cryptocurrency. He used his Revolut account to make the payments towards two cryptocurrency platforms. His funds were then converted into cryptocurrency and forwarded on to the fraudsters. He made three payments by debit card and the remainder by bank transfer. In total, he transferred a little over £10,000 to the fraudsters.

Once he realised that he'd fallen victim to a fraud, he notified Revolut. He asked it to raise a chargeback in relation to the card transactions, but it said that he didn't have any chargeback rights in respect of them. Overall, Revolut didn't agree to reimburse Mr H's losses. It said that he had authorised the payments and that it had displayed adequate warnings during the payment process.

Mr H was unhappy with the response he received from Revolut and so he referred his complaint to this service. It was looked at by an Investigator who didn't uphold it. The Investigator said that Revolut had an obligation to be on the lookout for transactions that were unusual or out of character to extent that there was a clear risk of fraud. But she didn't think that Revolut would've had any reason to think that there was any significant risk here. She also agreed with Revolut's conclusions regarding the potential for raising a chargeback on Mr H's behalf.

Mr H disagreed with the Investigator's opinion and so the complaint has been passed to me to consider and come to a final decision.

Findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The starting point here is that Mr H authorised these transactions, albeit he only did so under deception. Under the regulations that apply in this case, he is presumed liable at first instance. However, this is not the end of the story. Revolut is an electronic money issuer. The regulator, the Financial Conduct Authority (FCA), has confirmed that all e-money issuers *"must comply with legal requirements to deter and detect financial crime, which includes money laundering and terrorist financing."*

Broadly summarised, the obligations on Revolut at the material time were to:

- 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.

We now know with the benefit of hindsight that Mr H was making payments to a fraudster. However, I have to consider whether that risk ought to have been apparent to Revolut given the information that was available to it at the time. I've considered that point carefully and I'm afraid I agree with the Investigator that Revolut wouldn't have had any reasonable basis for treating these payments as unusual or out of character.

Although the payments were larger than the typical payments made from this account, I don't think they were so high that I'd have expected Revolut to treat them as a fraud risk. It would've been more difficult for Revolut to identify the activity as being out of character given that the payments were spaced out, made to different payees and via different payment channels. It's also noteworthy that Mr H doesn't appear to have used his Revolut account as his main bank account. As a result, it would've had less data on his typical spending to serve as a basis for comparison when deciding whether any individual payment is out of character.

Chargeback

I've also considered whether Revolut ought to have raised a chargeback in connection with those payments that were made by card.

Chargeback is a voluntary scheme and Revolut is bound by the card scheme operator's rules. Being the victim of a scam doesn't automatically entitle the payer to a refund through the chargeback scheme. In this instance, Revolut didn't raise a chargeback on Mr H's behalf because it didn't think it had any prospect of success. That was a reasonable conclusion for it to draw. The payments were made to Mr H's own account with two cryptocurrency platforms. Those platforms were operated by legitimate businesses which did provide Mr H with the service he contracted for – i.e. the purchase of cryptocurrency.

Overall, I'm not persuaded there were any applicable rules under the relevant scheme that would have allowed a successful chargeback here.

Final decision

For the reasons I've explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 28 June 2023.

James Kimmitt
Ombudsman