

## The complaint

Mr H complains the Revolut Ltd didn't do enough to protect him when he fell victim to an investment scam and lost money.

## What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr H came across an advert for a trading platform (I'll refer to as "M") dealing in forex and crypto assets on a social media platform. The advert purported to be endorsed by a well-known individual within the crypto community, which Mr H found reassuring. Mr H entered his contact details on an enquiry form and was later put in contact with an account manager who persuaded him to invest.

Between May and July 2020, Mr H made a series of four payments totalling £24,984.97, to two crypto exchange providers (I'll refer to as A and B). Once converted, the crypto was moved onto what Mr H believed was his trading account with M.

Date	Amount	Type of transaction
30/05/2020	-£249.79	Debit card transaction to A
13/06/2020	-£1,494.71	Debit card transaction to A
01/07/2020	-£3,240.47	Debit card transaction to A
07/07/2020	-£20,000.00	Transfer to B
<b>Total loss</b>	<b>£24,984.97</b>	

Mr H realised he had been the victim of a sophisticated investment scam when he was unable to withdraw his available funds on his trading account.

In September 2020 Mr H received a cold call from a representative of another trading platform (I'll refer to as "C") that again traded in forex and crypto. Mr H was persuaded to invest and made a series of payments to another crypto exchange provider (I'll refer to as D), totalling £33,250, which was then transferred to C.

Date	Amount	Type of transaction
03/09/2020	£2.00	Transfer to D
03/09/2020	£1,998.00	Transfer to D
11/09/2020	£3,000.00	Transfer to D
18/09/2020	£5,000.00	Transfer to D
30/09/2020	£5,000.00	Transfer to D
05/10/2020	£6,000.00	Transfer to D
05/10/2020	£6,000.00	Transfer to D
06/10/2020	£3,750.00	Transfer to D
06/10/2020	£2,500.00	Transfer to D
<b>Total loss</b>	<b>£33,250</b>	

Mr H again he'd been a scam when asked to money in his

discovered the victim of he was deposit more trading

account before he could make a withdrawal. When he queried this, the account managers stopped responding to him.

In April 2021 Mr H's solicitors (I'll refer to as S) complained to Revolut that it had failed to protect Mr H from the risk of financial harm due to fraud. S said Revolut should have identified that Mr H's transactions were unusual and out of character for his account. It said it also failed to provide him with effective warnings that could have prevented the scam from taking place.

Revolut considered the complaint but didn't uphold it. It said the transactions had been properly authorised by Mr H and it had processed them correctly, so it was not responsible for refunding any money Mr H had lost. It didn't agree that the transactions were unusual or out of character for his account usage, so it didn't agree it should have intervened before processing the payments. It also noted that the merchant category codes (MCC) in relation to the card payments did not raise any concern or reason for it to intervene.

S complained to the Financial Ombudsman on Mr H's behalf. It said Revolut hadn't done enough to protect Mr H from the risk of financial harm from fraud. It said Revolut had multiple opportunities to stop the suspicious payments before processing them.

Our Investigator upheld the complaint. He thought Mr H's transfer of £20,000 to a crypto exchange on 7 July 2020, was unusual and uncharacteristic for his usual account usage. He concluded this transaction should have triggered on Revolut's systems and prompted some intervention before the transaction was processed. He concluded that had Revolut taken the steps it ought to have, it's likely Mr H would have become aware of the scam and wouldn't have gone ahead with this or future transactions. He recommended Revolut refund all the disputed transactions from 7 July 2020 onwards, plus 8% interest.

Revolut disagreed with our Investigator's opinion. In summary it said:

- The transactions did not appear unusual or suspicious as they were being made to an FCA authorised company and were in keeping with the general usage of a Revolut account.
- Intervention from Revolut wouldn't have made a difference or prevented the scam. It said Mr H appeared to have some knowledge and understanding of the crypto market, as he was aware of the individual that was purported to endorse M within the advertising.
- Mr H contributed to his own loss as he failed to carry out appropriate due diligence before transferring large sums of money to a high-risk investment, which appeared to offer unrealistic returns.

Our Investigator didn't agree Mr H had contributed to his loss. He noted that Mr H was an inexperienced investor, and while he made an ill-advised decision to invest in the second scam, his actions didn't fall far below the standards expected of a reasonable person. Mr H agreed with our Investigator's opinion on the case. But Revolut maintained that it was not responsible for Mr H's losses and asked that the case be referred to an Ombudsman for a final decision.

Mr H's complaint was passed to me to decide. On 9 November 2022 I issued a provisional decision where I said:

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

*I'm sorry to hear Mr H was the victim of a sophisticated and targeted scam and lost a considerable sum of money as a result. I understand this loss has had a significant impact on his life and finances. In the circumstances, I can appreciate why he wants to do all he can to recover the money he lost. But I can only direct Revolut to refund Mr H's losses if it can fairly and reasonably be held responsible for them.*

*It is accepted that Mr H authorised the scam payments totalling £58,237.97 from his Revolut account. So, although he didn't intend the money to go to the scammers, under the Payment Services Regulations 2017 and the terms and conditions of his account, Mr H is presumed liable for his loss in the first instance. And under the terms and conditions of the account, where a valid payment instruction has been received Revolut's obligation is to follow the instructions that he provides.*

*However, taking into account the law, regulatory rules and guidance, relevant codes of practice and good industry practice, there are circumstances where it might be appropriate for a bank or electronic money remitter (here Revolut) to take additional steps or make additional checks before processing a payment in order to help protect its customers from the possibility of financial harm from fraud.*

*This service has referenced the relevant rules, codes of practice and good industry practice in many previous decisions published on our website.*

*While Revolut's first obligation is to follow Mr H's payment instructions, if an instruction is sufficiently unusual or uncharacteristic for the account, I'd reasonably expect Revolut to intervene and ask more about the payment instruction before processing it. I'd also expect it to provide suitable warnings about common scams to help its customers make an informed decision whether to continue with the payment. There might also be cases where it would be appropriate for Revolut to refuse to follow a payment instruction if there were good grounds to believe it was being made because of a fraud or scam.*

*Did Revolut do enough to identify the risk of financial harm from fraud?*

*The starting point here is whether any of the payment instructions Mr H gave Revolut between 30 May to 6 October 2020 - taken singularly or collectively – were sufficiently unusual or uncharacteristic in relation to his typical account activity to say Revolut reasonably ought to have intervened, or have done more than it did, before processing the payment instruction.*

*While the initial scam transactions (those made between 30 May and 1 July 2020) were not completely in keeping with Mr H's day to day account use, he had made a few transactions of a similar size in the preceding 12 months. So, I couldn't reasonably conclude that Revolut ought to have intervened in the first three transactions. But I agree with our Investigator that Mr H's instruction to pay £20,000 to a crypto exchange on 7 July 2020 should reasonably have stood out to Revolut as out of character and unusual.*

*This transaction was significantly larger than any transaction Mr H had made in the last 12 months, it was also to a new payee. Whereas the account was typically used for day-to-day spending, mostly card payments, and for transactions up to a few thousand pounds.*

*I think Revolut should also have been aware of the high prevalence of scams involving crypto since 2019. So, the fact the payment was being made to a crypto exchange, which in itself was unusual for Mr H, should have been a sign to Revolut that Mr H might be at risk of financial harm from fraud.*

*Would appropriate intervention have affected Mr H's loss?*

*If Mr H's payment instruction on 7 July 2020 had flagged up as being unusual and uncharacteristic with Revolut – as I think it reasonably ought to have done – I'd have expected Revolut to have contacted Mr H or required him to make contact before the payment instruction was processed. At that point, questions should have been asked about the nature and purpose of the payment Mr H was proposing to make.*

*There's been no suggestion that Mr H was given a cover story, so I think it's reasonable to assume that he'd have answered honestly and explained he was seeking to make a transfer as part of an investment. And on further questioning I think he would likely have revealed he believed he was investing in forex.*

*Given the prevalence of investment scams, particularly those involving forex, I think it would have been prudent for Revolut to have asked Mr H meaningful, probing questions about the transaction and his intended investment. For example, I think it should reasonably have asked Mr H how he was introduced to the investment and what checks he'd already carried out to confirm its authenticity. I think the fact that Mr H had been enticed by an advert on a social media platform and had been advised to transfer his funds into crypto before transferring them to the trading platform would have been indicators that he was likely falling victim to an investment scam. The fact that M was also not authorised to provide financial services in the UK should have been cause for concern.*

*At this stage if Revolut had offered Mr H clear scam warnings and encouraged him to carry out his own checks into the company he was seeking to invest in, I think it's likely the scam would have been exposed at this stage. Even if the scam hadn't been fully exposed, I think Mr H would have thought the risk of continuing to invest with an unregulated firm was too high to accept – so he wouldn't have proceeded, and his future losses would have been prevented.*

*While I appreciate Mr H went on to invest in another company that turned out to be a scam, I don't think this demonstrates he would have ignored a clear and meaningful warning from Revolut had it intervened.*

*Could Mr H's earlier losses reasonably have been recovered?*

*I've considered whether there was any potential for Mr H's earlier losses (those made between 30 May and 1 July 2020) to be recovered. As these were debit card transactions the only possible option for recovery would have been via a chargeback claim. But Mr H has said that these initial transactions were used to purchase crypto which were then transferred on to the scammers. As Mr H's dispute is with the scammers, rather than the crypto exchange, I think it unlikely any chargeback claim would have been successful. As such, I don't think his earlier losses could reasonably have been recovered.*

*Should Mr H bear some responsibility for his loss?*

*I have thought carefully about whether Mr H should bear some responsibility for his loss by way of contributory negligence (which might justify a reduction in compensation). And I think he should. But only from 3 September 2020 when he fell victim to the second scam and started making payments to C.*

*It's clear the material cause of Mr H's loss came from being tricked by sophisticated scammers. His loss could also have been minimised had Revolut taken appropriate steps to intervene when his transactions appeared unusual. But I don't think it's unfair to say Mr H wasn't as careful as I reasonably think he ought to have been before choosing to invest with*

*C, given that it had hallmarks that were very similar to the scam he'd just fallen victim to with M.*

*While the method of contact was different between the two scams – with the first one Mr H responded to an advert, whereas with the second scam Mr H received a cold call – it seems the scams were otherwise operated in a very similar way. When asked about the two scams and how they were presented, Mr H said that C's investment proposition "was very similar, considering it was FX and cryptocurrency" and that "both scammers would be trading on his behalf which appealed to him". For both scams he was given access to an online portfolio which appeared to show his investments making good returns. When asked what had convinced Mr H to invest on each occasion, he explained that he thought the advert and emails received in relation to M, and the website in relation to C, were very professional.*

*When asked what checks he carried out before investing, Mr H said he "researched both companies online" and "saw mixed reviews online of both companies", noting that he'd have been suspicious had the reviews been completely positive as he'd have thought that too good to be true.*

*While I appreciate that Mr H could reasonably have been convinced by the professional presentation of the initial scam with M, I would have expected him to be more cautious before attempting to invest with C given he now had knowledge and experience of how an investment scam could operate and had lost a considerable sum of money as a result. As such, I think a reasonable person in the same position as Mr H would have carried out more thorough research into C and wouldn't simply have relied on its professional presentation before attempting to enter into a new risky investment opportunity.*

*While I appreciate Mr H carried out some rudimentary checks online before investing in C, these appear to be the same as the ones he carried out before investing with M, which hadn't been sufficient to uncover the scam. Had he carried out further research or sought guidance before investing I think it would have come to light that C was not authorised with the Financial Conduct Authority (FCA) and that the investment opportunity once again bore the hallmarks of a scam.*

*Overall, while I appreciate Mr H carried out some checks before investing, I don't think he carried out sufficiently thorough checks to enable him to establish the legitimacy of the companies he was dealing with before investing very large sums in high risk trading. I think he ought reasonably to have done more. In the circumstances I think it's fair that he bears 50% of the responsibility of the losses he incurred as a result of the second scam.*

*So, to put things right, I am currently minded to tell Revolut to pay Mr H £36,625 (£20,000 plus 50% of £33,250).*

*The funds used to finance the investments originated from a mixture of informal loans from Mr H's company and withdrawals from his savings account (paid to the current account through internal transfers). In the circumstances, I consider Revolut should add interest to the settlement set out above (less any tax properly deductible). It should pay the savings account rate for the payments that originated from Mr H's savings account and the current account interest rate for the remaining payments - from the respective dates of loss to the date of refund.*

*I invited Mr H and Revolut to give me any more evidence and information they wanted me to consider before issuing my final decision. Mr H accepted my provisional decision. Revolut noted that it believed the contributory negligence should be calculated as 50% of the overall loss, but nevertheless accepted the provisional decision as it had no further points to make.*

## **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, and as both parties accepted my provisional decision, I see no reason to reach a different conclusion.

While I've considered Revolut's comment, I'm satisfied that Mr H only became partly responsible for his loss when he decided to make payments to C. So, I remain of the view that it is fair and reasonable that he bears 50% of the responsibility of the losses he incurred as a result of the second scam.

So, this final decision confirms the findings set out in my provisional decision.

## **Putting things right**

Revolut should now pay Mr H £36,625 (£20,000 plus 50% of £33,250) plus interest.

## **My final decision**

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

- Refund £36,625 (£20,000 plus 50% of £33,250), plus
- Interest at the relevant account rate(s) from the respective dates of loss to the date of refund

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 3 January 2023.

Lisa De Noronha  
**Ombudsman**