

The complaint

Miss S complains that Revolut Ltd has not treated her fairly when she made payments to an investment scheme that now appears to have been fraudulent.

What happened

Miss S was persuaded to invest in a crowdfunding platform offering high rates of return for an investment in what appeared to be the legitimate production of medicinal cannabis. Her partner and his family had recommended this to her, and she'd seen positive online reviews.

Miss S opened an account with Revolut in October 2021. She made a first payment from this account to the investment scheme around a week later, paying the sum of €50.

Over the course of the next five months, Miss S sent a total of twelve payments from her Revolut account to the scheme - an overall sum of €24,940.99. These payments were all made through Euro-denominated SEPA transfers.

Unfortunately, in mid-2022 the scheme froze withdrawals and could no longer be contacted. Concerned she'd been the victim of fraud, Miss S reported what had happened to Revolut.

Revolut attempted to recover Miss S's funds but the firm holding the recipient account (which I'll refer to as B) said it could not assist. Revolut declined to reimburse Miss S for the money she'd lost. It thought she had a civil dispute with the investment scheme and didn't think the evidence showed the scheme had been fraudulent from the outset.

Miss S didn't accept this and referred her complaint about Revolut to this service.

Our Investigator looked into what had happened. She noted that there were widespread reports that the investment scheme had likely been operating as a scam. Based on the evidence and regulatory warnings now available, the Investigator agreed with Miss S's claim that she'd likely been the victim of a scam.

Furthermore, the Investigator thought Revolut ought reasonably to have had concerns about the first larger payment Miss S had sent (that being on 9 November 2021). Revolut should have contacted Miss S to ask her about the purpose of the transfer. But the Investigator said that, even had Revolut done so at the time, this wouldn't have prevented the payments from being sent.

She thought Miss S would likely have told Revolut that she was making payments to a scheme she'd been recommended by people she was very close to and whom she trusted, who'd themselves invested seemingly successfully. She'd have told Revolut she'd checked that the scheme appeared legitimate. That included reviewing its website, which was professional in appearance, and Miss S also read positive third party reviews and media coverage. In these circumstances Revolut would have had to permit Miss S to make the payments - it couldn't reasonably have been expected to uncover the fraudulent nature of the scheme at that point in time.

The Investigator also thought Revolut had taken appropriate steps to recover the payments when Miss S had reported the matter, but that this hadn't proved possible. She didn't think Revolut needed to do more.

Miss S didn't accept this. In particular, she was concerned that Revolut might have lied about the steps it had taken to recover her money. She said she still thought it should be held liable to reimburse her now.

Because Miss S didn't agree with the Investigator's findings, I have been asked to review everything afresh and to reach this service's final decision on her complaint about Revolut.

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.

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 be good industry practice at the time.

In what follows, I am considering only Miss S's complaint about Revolut. I understand she intends to separately pursue a complaint about B with the appropriate dispute resolution service.

I would stress that my decision here concerns solely the question of whether I consider Revolut should fairly and reasonably bear liability for some or all of the losses sustained, given the facts available to me and the relevant obligations and expectations at the time. It is not intended to have any bearing on any alternate sources of redress Miss S might conceivably have either now or in the future.

I do not find Miss S to have been at fault in what happened. Everything I have seen suggests she was the innocent victim of a complex and sophisticated deception. But that is not the same as saying Revolut necessarily bears liability for the money Miss S lost through this scheme.

A voluntary code exists in the UK to provide greater protection for the victims of some authorised push payment scams. Miss S queries whether this code (the Contingent Reimbursement Model Code or CRM Code) should apply to her payments. Unfortunately, even if Revolut was a signatory to the CRM Code (which it is not) these payments are not ones that would fall within the scope of the code. The CRM Code only applies to Sterling denominated transfers to UK domiciled accounts, whereas the payments made by Miss S were non-Sterling payments to a non-UK account. So, the CRM Code does not apply to Miss S's payments.

However, while I therefore find the CRM Code does not apply here, that Code is not the full extent of the relevant obligations that could apply in cases such as this. I have gone on to consider whether Revolut did enough in Miss S's case.

Firstly, I'd expect Revolut to have been the lookout for unusual and out of character transactions that might be indicative of the potential for financial harm through fraud or a scam. In the event of identifying such a transaction, I'd expect this to prompt some intervention, such as contacting the customer to discuss the payment, before releasing it.

I consider that by the time of the first payment of €4,500 made by Miss S, Revolut ought

reasonably to have made such contact with her and taken steps to reassure itself about the nature of the payment she was then making. While I accept there was little to no account usage history against which Revolut could compare this payment, I think the characteristics of the payment (including the size, type and international destination) were sufficient to prompt such an intervention by Revolut at this point.

That intervention did not take place, so I have to consider what the consequence of that failure was. In other words, I need to consider what such an intervention would likely have resulted in, including whether it would likely have brought the scam to light at that time. In doing so I must also take into account the extent of intervention I can reasonably expect of Revolut in these circumstances.

Had Revolut contacted Miss S about the payment at the time, to ask her further details about that transaction, I consider Miss S had no reason but to have explained the situation openly and honestly in response to Revolut's enquiries. I consider it likely she would have explained that she was investing in a crowdfunding scheme personally recommended to her by her partner and his family – who'd themselves invested and whom she trusted. She would likely have mentioned that she'd also seen positive reviews from numerous online sources and reviewed the scheme's website, including having considered the terms and conditions of the investment. She'd already made a previous payment and had received what appeared to be a legitimate confirmation that the earlier payment had been successfully received. I haven't seen anything to suggest that Miss S had any significant doubts at this point, and I think the personal recommendations she'd received would have carried significant weight in her mind.

Arguably, at this point Revolut could have considered it was entitled to proceed with the payments it was being requested to make. It only needed to be reassured that this was not a payment based on fraud or a scam. Revolut was not required to conduct a detailed investigation into such things as the soundness of the investment proposal or whether all the claims made by the scheme were true. I cannot reasonably expect it to have taken such steps.

But even had it pressed further, I don't think the scam would have come to light at the time. I say this bearing in mind that this scam was an unusually complex and sophisticated deception. It seems that the scheme had been carefully designed to appear legitimate. It had already operated for well over a year, appears to have had a convincing website, and positive coverage online and in media reports. Several reports I've seen suggest that many investors had been receiving returns from the scheme, which would have lent further credibility to the legitimacy of the scheme. Indeed, Miss S herself later reported to Revolut that she'd received a payment back from the scheme.

It also appears the crowdfunding scheme may have falsely claimed that some of the offers it was making to the public had been approved in some form by the German financial regulator. The regulator later published clarification that no such approval had been granted. But unfortunately that public rebuttal didn't occur until June 2022, which was over a month after Miss S had sent her final payment to the scheme.

A few months prior to this, in March 2022, that same regulator had flagged a concern that the scheme hadn't submitted an investment prospectus for one of the various offers it was promoting. While this could have been seen as a mere regulatory oversight by the scheme, it could be seen as an indication that all might not be well with its other investment offerings.

This was of course sometime after the specific point at which I think Revolut should have made contact with Miss S. Had it contacted when I think it should, for the reasons I've explained above it would most likely have been reassured about the payment Miss S was then making. In those circumstances, I wouldn't then have expected Revolut to have

continued contacting her regarding further payments she made to the same destination, some eight payments and four months later. There was nothing obvious to invalidate that reassurance about Miss S's actions.

In any event, I am not persuaded the information published in March would have been sufficient for Revolut to have identified that the overall crowdfunding scheme was not legitimate at that point – unlike what could have been uncovered later in 2022.

Overall, I do not believe that Revolut could reasonably have uncovered the true nature of the scheme at the time I think it should have contacted her about the payments she was making. There simply was nothing obvious here that would have indicated to either Revolut or Miss S that all was not as it seemed or that it might be fraudulent in nature.

In other words, it is unfortunately the case that the very persuasiveness and professionalism of the scam would have made it very difficult for anyone to have uncovered the fraudulent nature of the scheme at this time. From what I have been able to establish, by then it had been operating seemingly in plain sight for over a year without fraud being identified.

So I do not find Revolut could reasonably have prevented Miss S from making the payments she'd intended to make. It had a primary obligation to carry out her instructions, and I don't find that it could have uncovered sufficient cause to do otherwise at the time. It follows that I can't reasonably hold Revolut liable to refund her for the losses that resulted from making those payments.

I have also considered whether there are any other reasons that Revolut should be fairly held responsible for reimbursing Miss S, either in full or in part. In particular, I have given consideration to whether Revolut took appropriate steps when Miss S first reported the scam.

Miss S reported the matter to Revolut in July 2022, after learning it might be a scam. She argues that Revolut didn't do enough to recover her funds and that it wasn't completely open or honest about the steps it did take at the time.

I understand Miss S's frustration that Revolut didn't provide her with clear information about the steps it took, and that some of that information contradicted what she's since learned.

I've reviewed the information provided by Revolut, together with all the points and evidence raised by Miss S (including the correspondence she has provided from B). Based on all the information now available to me, I am satisfied on balance that Revolut did act appropriately and submitted the appropriate request to B.

Unfortunately, it appears Revolut was told that B was unable to return funds from that account. It was told B would log the recall request, in case such a recall later proved possible. I do not find Revolut was at fault in the steps it took, it attempted to recall the funds using what appears to have been the correct process. The recall did not succeed but this did not result from any fault by Revolut.

So, while I understand Miss S's point about the information Revolut provided to her and the frustration this caused her, that in itself does not lead me to consider Revolut could reasonably be held liable to refund her. It had taken the steps it was required to take, and based on B's response, there simply doesn't appear to have been the possibility of Revolut recovering money at the time.

I don't think there was anything more Revolut could reasonably have done at this point to recover Miss S's losses.

Overall

I am sorry to hear about the losses Miss S suffered as a result of this particularly elaborate and complex scam. Everything I have seen indicates that she is the innocent victim here and has been left considerably out of pocket by a sophisticated deception.

But having considered everything, I don't think Revolut could reasonably have prevented these losses. I don't think either it or Miss S could reasonably have uncovered the true nature of the investment scheme when Miss S asked Revolut to make these payments. And for the reasons I have explained, I'm satisfied the CRM Code isn't applicable here.

Nor can I see there are other grounds on which I could say that Revolut should, fairly and reasonably, bear the responsibility for the loss. I don't find that Revolut failed to meet its obligations including in the attempts it made to recover her funds. That means I can't fairly require Revolut to reimburse her.

My final decision

For the reasons given above, my final decision is that I do not uphold Miss S's complaint about Revolut Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 27 July 2023.

Stephen Dickie
Ombudsman