

The complaint

Mr A is unhappy Revolut Ltd (“Revolut”) won’t reimburse him for the money he lost when he fell victim to an ‘authorised push payment’ (“APP”) safe account scam.

What happened

The details and facts of this case are well-known to both parties, so I don’t need to repeat them at length here.

In short, Mr A fell victim to a safe account scam. On 29 August 2022, he received a call from someone claiming to be from the Revolut fraud team. Mr A queried the number with the supposed adviser explaining that they were from a dedicated fraud team, but they would call him back from Revolut’s main number. Mr A then received a call straight away with the number matching Revolut’s number. Unfortunately the number had been spoofed.

Mr A says the fraudster knew his personal details, including his name and account number. The fraudster most likely knew the details as Mr A had unknowingly fallen victim to ‘phishing’ scam text around a week before.

Mr A explained he was informed that his account had been compromised and three transfers/payments totalling £1,700 had been blocked. Mr A says he was told his account was at risk and he needed to move his money to a new ‘safe account’.

Mr A also then received a text from whom he thought was Revolut, as it appeared as though it had come from Revolut. The text advised Mr A his account had been restricted temporarily and they were reregistering his account and the adviser he was connected to will provide further information.

Mr A explains that he was told by the adviser a new protected account was set up under a different name for security purposes, and once he had moved across his funds the account would automatically switch into his name and he would also receive an email with a welcome pack.

Mr A, believing things to be genuine, transferred two amounts in succession to the beneficiary details provided by the scammer. The first payment was for £15 at 9.04pm. After Mr A made the first payment, he was provided with a link which Mr A says took him to what looked like the genuine Revolut platform. Mr A says it showed £15 had been received. Mr A then went ahead and made a second transfer for £9,230 at 9.20pm.

Mr A realised he was the victim of a scam shortly after, when he didn’t receive any further communication or welcome pack. In total, Mr A lost £9,245.

Mr A then reported the matter to Revolut to see if it could help recover his funds. Revolut logged the matter that evening and contacted the receiving firm (the firm where Mr A had sent the funds to) to see if any funds remained that could be recovered.

Revolut also reviewed what had happened and informed Mr A that as he had authorised the transfers, it wasn't responsible for the loss. Revolut explained it identified the second transfer as an 'out of character transaction' and set it to pending. It advised it asked the purpose of the payment and provided a warning about common scams. Revolut explained that while it has a duty to protect customers money it also has an obligation to execute its customers instructions to make payments. It considered that in Mr A's case it had fulfilled both.

Ultimately Revolut never received a response from the receiving firm of where the funds had been sent to and so informed Mr A that it wasn't able to recover any funds.

Unhappy, Mr A referred the matter to our service. One of our Investigators looked into Mr A's complaint. Broadly summarised, she considered while Mr A had 'authorised' the transfers (albeit while being tricked); Revolut should have systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud or financial harm.

Our Investigator, when looking at the transfers Mr A made, considered the first transfer of £15, while to a new payee, wasn't remarkable. So she thought it wasn't unreasonable for the transfer not to flag as suspicious to Revolut. But she thought the second transfer of £9,230, should have flagged. She said this because it was another payment made to the same beneficiary in quick succession and was of an increasing amount. It was also a large amount and was more than Mr A had transferred previously and nearly emptied his account completely.

Our Investigator thought Revolut should have done more than it did to intervene on the second transfer, and it should have contacted Mr A about it. It was our Investigator's view that, had it done so, it was more likely than not the scam would've unravelled, and the loss would've been prevented.

Our Investigator therefore thought the complaint should be upheld in part. She recommended Revolut refund Mr A for the second transfer of £9,230. She also recommended Revolut pay additional interest on that amount at 8% simple interest from the date of the second transaction until the date of settlement, as Mr A had been deprived of the use of his funds.

Mr A accepted the Investigators findings, but Revolut disagreed.

Broadly summarised Revolut considered that it had provided an initial warning when Mr A was making the first payment to a new beneficiary. And it identified the second transfer as out of character and asked Mr A the purpose of the payment. It said that Mr A chose the wrong payment purpose – choosing 'goods and services' as opposed to 'safe account' – so it considered Mr A should share some responsibility for the loss. Revolut also considered that had it intervened further, as Mr A was being guided by professional scammers, then it was unlikely that Mr A would have been truthful. So it considered it wouldn't have been able to prevent Mr A from making the payment.

Our Investigator disagreed and remained of the opinion that had Revolut had better intervention the scam would have been revealed. They considered while Mr A had been guided through the payment purpose the scammer had given Mr A a plausible reason for choosing 'goods and services' – that the payment would be seen as going to a merchant account which the fraudster trying to hack Mr A's account wouldn't be able to gain access to. But importantly they thought Mr A hadn't been provided with a cover story or coached as to what to say by the fraudster if Revolut contacted him. So they considered Mr A, if he had been contacted by Revolut, would have explained what he was doing and why which would have put Revolut on notice that Mr A was at risk of falling victim to a scam. And had things been explained then Mr A would have likely questioned what was going on and wouldn't have made the transfer. The Investigator remained of the opinion that the second transfer could have been prevented by Revolut.

Revolut disagreed and asked for an ombudsman to make a determination. So as the matter hasn't been resolved, it's been passed to me for a decision.

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 uphold this complaint in part. I'll explain why.

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.

It is the case that Mr A authorised the transfers in dispute and that's accepted by all parties. And under the Payment Service Regulations 2017 (which are the relevant regulations in place here) that means Mr A is responsible for them. That remains the case even though Mr A was the unfortunate victim of a scam.

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.

Taking the above into consideration, in this case, I need to decide whether Revolut acted fairly and reasonably in its dealings with Mr A when he made the two transfers to a new payee, or whether it should have done more than it did.

Did Revolut act fairly and reasonably in this case?

As I've explained, I consider that as a matter of good practice Revolut should have been on the lookout for unusual and out of character transactions.

When Mr A made the first transfer of £15 to the scammer, there wasn't anything unusual or remarkable about the transfer or the amount that ought to have alerted Revolut to the possibility Mr A was being scammed. It was a low value transfer and Mr A had made similar transfers of similar value before. So I don't think it was unreasonable for it to have not flagged as potentially suspicious to Revolut.

But I am mindful that a common theme to a scam - especially a safe account scam – is that a scammer tries to gain as much money from unsuspecting victims as is possible. So where there are multiple payments or transfers made in quick succession, it is a possible indication to a bank or building society that their customer could be at risk of financial harm.

The first transfer Mr A made was for £15 and the second transfer was for £9,230. So it was another transfer to the same payee in quick succession and importantly the amount had also increased significantly, nearly clearing Mr A's account completely. I think the second transfer should have given Revolut a concern that its customer may be at risk of financial harm.

So I'm persuaded that when Mr A made the second transfer which was large in value to the same payee in a short space of time his account activity was unusual and out of character. I think Revolut should reasonably have taken additional steps and made additional checks before processing the second transfer.

Revolut argues that it did identify the second transfer as out of character for Mr A and set the transfer to pending and asked Mr A about the purpose of the payment through its app. Revolut says Mr A selected 'goods and services' – which was the wrong option as there was an option to select 'safe account'. It considers that had Mr A selected the more appropriate option in 'safe account' then he would have seen a warning in relation to those types of scams.

When a risk is identified, the steps a Firm can take to intervene to satisfy itself that its customer isn't at risk of financial harm are its own commercial decision. So the question I must consider is whether Revolut took appropriate action in responding to the risk of financial harm it had identified?

Did Revolut take appropriate action in responding to the risk of financial harm it had identified?

I accept that a bank does have a duty under the Payment Service Regulations not to delay payments or transfers unduly. But it is not an unfettered duty to execute – and reasonable checks are also required as part of the broad regulatory landscape to treat customers fairly and to safeguard against the risk of fraud or financial harm. I accept there's a limit as to what a Firm can reasonably do; and I still expect consumers to take responsibility for their own decisions – and possibly even bear a reduction in compensation if there is clear evidence of blame on their own part (see below). But when plain triggers of unusual or uncharacteristic account activity exist, it's not unreasonable to expect a Firm's fraud alerts to respond *proportionately* – and that might simply include, for example, a phone call, in app chat or discreet conversation for transactions in branch to check that things are okay.

First, I note Revolut has said that it has provided its customers with scam advice through blog posts, articles and email communications. While this is certainly good practice and does raise awareness – from a preventative aspect, Revolut – where it identifies in real time that its consumer is at risk of possible financial harm – still has an obligation to step in and intervene or make additional checks to ensure that everything is ok, and its consumer isn't potentially falling victim to a scam.

I also note Revolut, when Mr A made the first payment to a new beneficiary, said it provided a review transfer screen / page and at the top of this screen / page it stated the following:

“Do you know and trust this payee?”

If you're unsure, don't pay them, as we may not be able to help you get your money back. Remember, fraudsters can impersonate others and we will never ask you to make a payment.”

Mr A has said that he didn't notice this and only remembered the warning about the second payment. I don't think this is unreasonable in the circumstances – and I'm mindful that Mr A was being coached through the payment journey so I can understand why he might not have remembered seeing that warning at the top of the review transfer screen for the first payment.

However, in this case, I think the second transfer should have put Revolut on notice that its customer was at potential risk of financial harm. The second transfer which was considerable in its amount, nearly emptied Mr A's account and that was made shortly after the first transfer had all the hallmarks of Mr A potentially falling victim of a scam.

Revolut identified the transfer meant Mr A was potentially at risk and set it to pending – and asked Mr A to confirm the purpose of the transfer. I consider that asking the payment purpose wasn't enough in this case and more intervention was required. I say this because it isn't uncommon in scams (such as a safe account scam) for the customer to be guided through the payment journey by a scammer. And without proactive steps to 'break the spell' of scammers, customers will often proceed with the payment they are making. They are unaware that they are caught up in the scam. And when sophisticated elements such as number spoofing are involved, then the scam becomes significantly more persuasive. A warning is unlikely to have the required impact on a customer that has been manipulated into action through a combination of sophisticated means and fear and who is being guided through the payment journey by a scammer.

So, when I take into account the risk Revolut had identified, I consider it should have intervened more than it did to satisfy itself that its customer wasn't at risk of financial harm. Direct contact with Mr A would likely have made the difference here. And I think that would be a proportionate response in the circumstances – given the risk it had identified. That intervention might have come in the form of Revolut contacting Mr A directly, or by requiring him to contact Revolut himself to speak to a member of staff before being able to proceed.

I've thought carefully about what would've happened had Revolut made enquiries with Mr A (such as an in-app chat or phone call) before processing the transfer.

There is obviously a balance to strike, and I'm not suggesting that Mr A should have been subjected to an interrogation by Revolut. But Revolut ought fairly and reasonably to have satisfied itself that Mr A hadn't fallen victim to a scam, and I'm persuaded it could've done this by asking a few questions of Mr A prior to processing the transfer.

Of course I can't know for sure what would've happened, so I've thought about what is more likely than not to have been the case.

Mr A wasn't given a cover story by the scammer and had only been guided through the payment journey and what payment purpose to select. So I disagree that Mr A wouldn't have been truthful in any direct communication with Revolut. I think had Revolut contacted Mr A to enquire what the payment was for – it is more likely than not that he would have explained that he had been contacted by Revolut and was securing his funds as his account was at risk.

Revolut would, or should reasonably, have been aware that this scenario fits the characteristics of a safe account scam. Firms such as Revolut have actual or constructive knowledge of all the main scams, such as this. So it could have explained this type of scam to Mr A. If that had happened, I consider it likely that the 'spell' of the scam would have been broken and that Mr A wouldn't have proceeded with the transfer.

So I think Revolut could have prevented the loss Mr A incurred when he made the second transfer.

Should Mr A bear some responsibility for the loss?

In reaching my conclusions about what is fair and reasonable in this case, I have also considered whether Mr A should bear some responsibility for his loss. Mr A has explained and provided evidence to show the text he received that he thought was from Revolut. And Mr A has also provided evidence of the telephone number and calls he received which all appeared genuine (as a result of 'number spoofing'). Mr A says the adviser he spoke to knew details about him and his transactions and went as far as to discuss scams, provide him with a reference number, and also link which replicated a fake Revolut account that Mr A thought was his new protected account.

All things considered, Mr A was the victim of a cruel and sophisticated scam. I am satisfied he believed he was liaising with Revolut at the time and didn't foresee the risk of this sort of harm and was not partly to blame for what happened. So, on the particular facts of this individual case, I don't consider it fair to reduce compensation for some of the loss due to any blameworthy acts or omissions by Mr A.

Did Revolut do enough to recover Mr A's funds?

I've also considered whether Revolut took reasonable steps to recover Mr A's funds once it was made aware he was the victim of a scam. I am satisfied Revolut acted in a timely manner in contacting the Receiving Firm (where the funds had been sent to). It contacted the Receiving Firm shortly after Mr A reported the matter. Unfortunately the Receiving Firm never responded. So after a set period of time Revolut concluded that no funds remained. Faster Payments are often credited into the receiving account almost instantaneously and fraudsters typically withdraw / move funds on also in case they get frozen or withheld if the matter is reported. And that's likely what happened in this case. But overall, I'm satisfied Revolut did take the necessary steps required of it and did so in a timely manner.

Summary

Overall, I consider when Mr A made the second transfer, his account activity was unusual and out of character. Revolut could have done more to prevent the second transfer from happening. There was enough going on to suggest that Mr A may well have been in the process of being scammed and Revolut ought fairly and reasonably to have picked up on this.

Had it done so and had Revolut contacted Mr A directly and asked some questions to challenge the purpose of the transfer, I'm persuaded it is more likely than not the scam would have come to light, and Mr A wouldn't have lost out on the £9,230 he transferred.

The money was taken from the Mr A's current account. Mr A has therefore been deprived of the use of those funds. So Revolut should also pay interest on the amount not yet refunded at a rate of 8% simple per year. This should be calculated from the date Mr A made the transfer (the date of the loss) until the date of settlement.

Putting things right

For the reasons given above, I uphold, in part, Mr A's complaint against Revolut Ltd.

I now direct Revolut Ltd to:

- Refund £9,230 (less any sums that have potentially being recovered subsequently and returned to Mr A)
- Pay additional interest on that amount at 8% simple interest. This should be calculated from the date Mr A made the transfer (the date of the loss) until the date of settlement. [†]

[†] HM Revenue & Customs requires Revolut Ltd to take off tax from this interest. Revolut Ltd must give Mr A a certificate showing how much tax it's taken off if he asks for one.

My final decision

For the reasons given above, my final decision is that I uphold this complaint in part.

I direct Revolut Ltd to pay compensation, as set out above, within 28 days of receiving notification of Mr A's acceptance of my final decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 10 March 2023.

Matthew Horner
Ombudsman