

## **The complaint**

Mrs C was the victim of an impersonation scam and is unhappy that Revolut Ltd has decided not refund her.

## **What happened**

Mrs C was contacted by scammers pretending to be from HMRC. She has provided a lot of detail about what she was told and why she believed the contact to be genuine. But this ultimately resulted in her setting up a new account with Revolut, setting up a new payee and making two transactions of £3,000 and £890.

Mrs C discovered she had been scammed and contacted Revolut several days later to report the incident.

The second payment of £890, has since been recovered. Mrs C's losses are limited to £3,000.

Revolut looked into the matter and decided not to refund Mrs C. It said:

- The name of the payee did not match the beneficiary account holder. It provided a warning to Mrs C at the time she made the payments.
- Its systems asked Mrs C if this was a trusted beneficiary and informed Mrs C she could potentially be the victim of fraud and ultimately deprived of her funds. Mrs C selected that she trusted the beneficiary and proceeded with the payments.
- The payment was flagged by Revolut's systems and Mrs C was warned again that this was likely a scam and sent a link to Revolut's blog - where instructions are given to customers on various types of scams. Its records show Mrs C received these warnings, but proceeded with the payments.
- After Mrs C contacted Revolut about the scam it attempted to recover the funds. The funds were initially transferred to another Revolut account and then on to a different banking institution and unfortunately could not be recovered.

One of our investigators looked into things she said:

- The CRM code did not apply as Revolut are not signatories to the code.
- She did go on to consider if Revolut ought to have been concerned about the payments Mrs C made on account. She didn't think it should have been.
- Because it was a new account there was no account activity to compare these transactions to. And, setting up a new payee on a new account would not be unusual in and of itself.
- She also didn't think the payment values were unusually high, that further intervention from Revolut was required when Mrs C made them.
- So overall she didn't think it was fair to say Revolut should have identified that Mrs C was at risk of losing her funds. Or that its decision not to intervene further than it did,

was unfair in the circumstances.

- Revolut also said that the funds moved on from the recipient account quickly which she asked for evidence of. But as Mrs C didn't report the scam to Revolut for several days it was likely the funds would have moved on by then anyway. Meaning Revolut couldn't have prevented Mrs C's losses at this point either.

Mrs C's representatives disagreed and asked for an ombudsman to review the complaint. In summary it said:

- Whilst it accepted that the CRM code did not apply in this instance, Revolut still had to observe and adhere to various standards and codes that applied to banking institutions. It said Revolut breached its obligations here.
- It failed to create and sustain an effective fraud detection system, that would have otherwise prevented Mrs C's losses.
- It disagreed that the account activity wasn't unusual and said the setting up of two new payees was enough to put Revolut on notice. As well as £3,890 worth of transactions in a short space of time – all of which was suspicious and ought to have flagged Revolut's fraud detection systems.
- Revolut failed to effectively educate Mrs C about scams.
- Revolut failed to intervene and if it had then Mrs C's losses could have been prevented.

The investigator responded to say Revolut is an electronic money institution and is subject to different obligations to banking institutions. And whilst we would still consider that it needs to be on the look-out for unusual or suspicious transactions she wasn't persuaded that the transactions Mrs C made, as part of this scam, warranted intervention. She clarified that there was only one new payee and both payments were made to this payee.

As Mrs C's representative didn't agree with the investigators findings the complaint has been passed to me to consider.

### **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 agree with the investigators findings for the same reasons. I'll explain why.

In deciding what's fair and reasonable, I'm required to take into account relevant: law and regulations; regulatory rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

I'm sorry to hear Mrs C was the victim of a cruel scam and lost money as a result. I understand this loss has had a significant impact on her life and finances. In the circumstances, I can appreciate why she wants to do all she can to recover all her losses.

But I can only direct Revolut to refund all Mrs C's losses if it can fairly and reasonably be held responsible for them.

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 terms and conditions of the customer's account. And I have taken that into account when looking into what is fair and reasonable in this case.

I agree with investigators findings that this type of payment isn't covered by the CRM. So, the starting position is that as Mrs C authorised the payments, and Revolut doesn't need to refund her. Unless I'm persuaded that it ought to have stopped the payments because it was so unusual or suspicious that it ought to have had concerns that Mrs C was the victim of a scam.

The payments from Mrs C's account were authorised by her. Whilst I appreciate, she was tricked into making the payments, for the purposes of the Payment Service Regulations (PSRs) 2017, they were still authorised by Mrs C. And I've explained above, Revolut had an obligation to follow Mrs C's payment instructions.

However, there are circumstances where it might be appropriate for Revolut, as an electronic money institute ('EMI') 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. An example of this would be payments which are sufficiently unusual or uncharacteristic when compared with the usual use of the account. In such circumstances, I'd expect Revolut to intervene and ask some questions about the intended transaction before processing it.

I've considered whether there was anything about the circumstances surrounding the payments that could have put Revolut on notice that they were being made as part of a scam. And I don't think there was.

- As this was a new account there is no transaction history to compare it. And its not unusual to open an account and use it immediately.
- Funds are deposited and then two transactions are made from the account so there isn't a high volume of activity happening here.
- The payments, whilst not insignificant aren't what I would consider as unusual high in value.
- Revolut has said that when the payee was added by Mrs C the name didn't match the beneficiary account. I haven't seen evidence to support this, but in any event that factor added with the payment values isn't enough to persuade me Revolut ought to have intervened or stopped the payments.
- Although the payments were made in quick succession, they don't appear to be otherwise suspicious. They are made to another UK based account and don't appear to be unusual in any other way.

In conclusion, I agree with the investigator. I don't think the transactions and account activity were so unusual that Revolut should have been concerned Mrs C was at risk of financial harm. So I don't think Revolut made an error by not intervening when Mrs C made these payments.

I have also now seen the evidence that the money was moved within minutes of it being received into the beneficiary account. So, I'm satisfied that Revolut couldn't have prevented Mrs C's losses after she reported the scam.

### **My final decision**

I don't uphold this complaint.

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

Sophia Smith  
**Ombudsman**