

The complaint

Miss T is unhappy Revolut Ltd (“Revolut”) won’t reimburse her for the money she lost when she 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, Miss T fell victim to a safe account scam. On 3 September 2022, she received a text from Revolut that appeared in her existing text communication chain with Revolut. The text provided an authentication code and advised that if Miss T hadn’t requested the code to reply “N”. Miss T who hadn’t requested it and thinking it was her genuine bank, replied “N”.

Shortly after, Miss T was called on what she thought was Revolut’s genuine telephone number. Unfortunately the number had been spoofed. Miss T says she was advised that her accounts with Revolut and with another banking provider were at risk and that she needed to move her money into her Revolut account and then from there on to a ‘safe account’.

Miss T spoke with whom she believed to be an adviser from Revolut and also an adviser from her other banking provider. Miss T, believing things to be genuine, ended up moving her savings with her other bank provider into her Revolut account. From there, Miss T made two payments in quick succession to the beneficiary details provided by the scammer.

The first payment was for £45 and the second payment was for £9,745. Miss T realised she was the victim of a scam shortly after, when her account which was supposedly meant to have been reset and showing her funds didn’t materialise. In total, Miss T lost £9,790.

Miss T then reported the matter to Revolut to see if it could help recover her funds. Revolut logged the matter that evening and contacted the receiving firm (the bank where Miss T had sent the funds to) on 5 September 2022 to see if any funds remained that could be recovered.

While awaiting a response from the receiving firm, Revolut also informed Miss T that as she 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 Miss T’s case it had fulfilled both.

Ultimately £54 was recovered and returned to Miss T on 7 December 2022.

Unhappy that she hadn't been refunded all her money, Miss T referred the matter to our service. One of our Investigators looked into Miss T's complaint. Broadly summarised, she considered while Miss T 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 Miss T made, considered the first transfer of £45, 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 £9,745, 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 Miss T had transferred previously and nearly emptied her account completely.

Our Investigator thought Revolut should have done more than it did to intervene on the second transfer, and it should have contacted Miss T 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 Miss T for the second transfer of £9,745 (taking into account the £54 that had been recovered). She also recommended Revolut pay additional interest on that amount at the savings account rate that the funds had originated from. Our Investigator considered had the scam been prevented, Miss T wouldn't have moved her funds from the savings account – so this would return her into the position, as far as is possible, had the scam been prevented.

Miss T accepted the Investigators findings, but Revolut disagreed.

Broadly summarised Revolut considered that it had identified the second transfer as out of character and asked Miss T the purpose of the payment. It said that Miss T chose the wrong payment purpose – choosing 'goods and services' as opposed to 'safe account' – so it considered Miss T should share some responsibility for the loss. Revolut also considered that had it intervened further, as Miss T was being guided by professional scammers, then it it was unlikely that Miss T would have been truthful. So it considered it wouldn't have been able to prevent Miss T 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 thought that had Miss T been told by Revolut about being asked to move money or been told that Revolut wouldn't contact her to ask her to move money, then Miss T would have likely questioned what was going on and wouldn't have made the payment. 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 Miss T 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 Miss T is responsible for them. That remains the case even though Miss T 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 Miss T when she 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 Miss T made the first transfer of £45 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 Miss T was being scammed. It was a low value transfer and Miss T 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 Miss T made was for £45 and the second transfer was for £9,745. So it was another transfer to the same payee in quick succession and importantly the amount had also increased significantly, nearly clearing Miss T'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 Miss T made the second transfer which was large in value to the same payee in a short space of time her 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 Miss T and set the transfer to pending and asked Miss T about the purpose of the payment through its app. Revolut says Miss T selected 'goods and services' – which was the wrong option as there was an option to select 'safe account'. It considers that had Miss T selected the more appropriate option in 'safe account' then she 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 bank 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 bank'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.

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 Miss T's account and that was made shortly after the first transfer had all the hallmarks of Miss T potentially falling victim of a scam.

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 Miss T 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 Miss T directly, or by requiring her to contact Revolut herself 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 Miss T (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 Miss T should have been subjected to an interrogation by Revolut. But Revolut ought fairly and reasonably to have satisfied itself that Miss T hadn't fallen victim to a scam, and I'm persuaded it could've done this by asking a few questions of Miss T 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.

Miss T 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 Miss T wouldn't have been truthful in any direct communication with Revolut. I think had Revolut contacted Miss T to enquire what the payment was for – she would have explained that she had been contacted by Revolut and was securing her funds as her 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 Miss T. If that had happened, I consider it likely that the 'spell' of the scam would have been broken and that Miss T wouldn't have proceeded with the transfer.

So I think Revolut could have prevented the loss Miss T incurred when she made the second transfer.

Should Miss T bear some responsibility for the loss?

In reaching my conclusions about what is fair and reasonable in this case, I have also considered whether Miss T should bear some responsibility for her loss. Miss T has explained and provided evidence to show the text she received that she thought was from Revolut. The text appears in the text chain of her genuine communication with Revolut. And Miss T has also provided evidence of the telephone numbers and calls she received which all appeared genuine (as a result of 'number spoofing'). Miss T says the advisers she spoke to all knew details about her and transactions.

All things considered, Miss T was the victim of a cruel and sophisticated scam. I am satisfied she believed she was liaising with her genuine banking providers 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 Miss T.

Did Revolut do enough to recover Miss T's funds?

In light of my conclusions above, it is not necessary in this case to consider whether Revolut took reasonable steps to recover Miss T's funds once it was made aware she was the victim of a scam. But for completeness, and having looked into this aspect, while Revolut could have reasonably acted sooner than it did here, I am mindful that the majority of the funds had already been moved on promptly by the scammer – albeit £54 was subsequently recovered at a later date.

Summary

Overall, I consider when Miss T made the second transfer, her 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 Miss T 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 Miss T 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 Miss T wouldn't have lost out on the £9,745 she transferred.

Miss T has explained that money she lost originated from her savings account. And had the scam not happened the funds would have remained in that account. So I think it is fair that in addition to refunding her outstanding loss, Revolut pay additional interest on that amount at the account rate the funds originated on – that being 0.65%. This places Miss T back in the position, as far as is possible, that she would have been in had Revolut prevented the second transfer – as I consider it should have done.

Putting things right

For the reasons given above, I uphold, in part, Miss T's complaint against Revolut Ltd

I now direct Revolut Ltd to:

- Refund £9,691 (that being the sum of £9,745 Miss T lost when she made the second transfer, less the £54 that was recovered and subsequently returned to Miss T).
- Pay additional interest on that amount at 0.65% (which was the rate of the savings account the funds had originated from) calculated from the date Miss T made the transfer until the date of settlement.*

**If Revolut Ltd deducts tax from this part of the award it should provide a tax deduction certificate to Miss T so she can reclaim the amount from HMRC if eligible to do so.*

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 Miss T's acceptance of my final decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 3 March 2023.

Matthew Horner
Ombudsman