

The complaint

Mr A complains that Revolut Ltd (Revolut) is refusing to refund him the amount he lost as the result of a scam.

Mr A is being represented by a third party. To keep things simple I will refer to Mr A throughout my decision.

What happened

The background of this complaint is well known to all parties, so I won't repeat what happened in detail.

In summary, around December 2021 Mr A was approached by an individual on Instagram. I will call this person X. X explained he was a financial advisor working for the trading platform Fortradecoin Investment Company (F).

Mr A was advised by X that he would make a £5,000 profit if he invested £10,000 and was also told that he would have to make the investment in small payments due to an error with F's platform that prevented larger payments being received.

Mr A tells us that towards the end of December 2021 he was told the investment had already reached a significant sum, but he would have to make several more payments for the funds to be released. Mr A was happy to pay the amounts X had requested as X had built a trusting relationship with him.

Mr A realised there was an issue when he contacted F through the phone number displayed on its website. F told him that it was unable to find an account in Mr A's name. Mr A contacted X to confront him about the information he had found but X denied the information Mr A had found and contested it was a legitimate investment.

Mr A didn't believe the information provided by F and blocked him.

Mr A had made more than 50 payments into the scam totalling over £12,000. Payments were made from Mr A's debit card to cryptocurrency exchanges and then from those accounts to the scammer.

Our Investigator considered Mr A's complaint but didn't think it should be upheld. Mr A disagreed, so this complaint has been passed to me to decide.

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.

Recovering the payments Mr A made

Mr A made the payments into the scam via his debit card. When payments are made by card the only recovery option Revolut have is to request a chargeback

Revolut was unable to process a chargeback for the payments Mr A made in relation to this scam to the cryptocurrency exchanges.

The chargeback scheme is a voluntary scheme set up to resolve card payment disputes between merchants and cardholders. The card scheme operator ultimately helps settle disputes that can't be resolved between the merchant and the cardholder.

Such arbitration is subject to the rules of the scheme, meaning there are only limited grounds and limited forms of evidence that will be accepted for a chargeback to be considered valid, and potentially succeed. Time limits also apply.

Mr A was dealing with X, which was the person that instigated the scam. But Mr A didn't make the debit card payments to X directly, he paid separate cryptocurrency exchanges. This is important because Revolut was only able to process chargeback claims against the merchants he paid, not another party.

The service provided by the cryptocurrency exchanges would have been to convert or facilitate conversion of Mr A's payments into cryptocurrency. Therefore, they provided the service that was requested; that being the purchase of the cryptocurrency.

The fact that the cryptocurrency was later transferred elsewhere – to the scammer – doesn't give rise to a valid chargeback claim against the merchants Mr A paid. As they provided the requested service to Mr A any chargeback attempt would likely fail.

I have considered if Mr A should have received a refund under the Contingent Reimbursement Model (CRM) code. But the CRM code doesn't apply to card payments so I'm satisfied the CRM Code wouldn't apply in this scenario.

Should Revolut have reasonably prevented the payments Mr A made?

Mr A has accepted he authorised the payments he made from his account, albeit on X's instruction, so the starting point here is that Mr A is responsible. However, banks and other Payment Services Providers (PSPs) do have a duty to protect against the risk of financial loss due to fraud and/or to undertake due diligence on large transactions to guard against money laundering.

The question here is whether Revolut should have stepped in when Mr A was attempting to make the payments, and if it had, would it have been able to prevent the scam taking place.

I have considered whether the payments Mr A made in relation to the scam should have triggered Revolut's fraud prevention systems causing it to step in and prevent any of the payments being made.

Although the payments Mr A made were to a new business, they were all for a relatively low amount, even when payments were made in the same day, they did not total a significant amount. The payments were also made over several months with no complaint from Mr A. Considering the size of the payments and that they were spread out over several months I don't think it was unreasonable that Revolut's fraud prevention systems were not triggered.

As Revolut's fraud prevention systems weren't triggered it did not miss an opportunity to step in and prevent Mr A's loss and is therefore not responsible.

My final decision

I don't uphold this complaint.

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

Terry Woodham
Ombudsman