

The complaint and background

Mr K complains that Revolut Ltd will not refund money he lost to an investment scam. For the purposes of this decision, all reference to Mr K includes his representative.

This complaint concerns eight payments Mr K made using his Revolut account in early 2022. Mr K was instructed to pay a total of approximately €27,500 by what he thought was a genuine investment company, which I'll call 'L'.

L convinced Mr K that, if he deposited, it would use his capital to trade profitably on options such as forex, gold and stocks using its platform. In order to tender the investments, L directed Mr K to first send money from his Revolut account to two cryptocurrency exchange platforms. These platforms converted the fiat money into crypto, and then the funds were sent onwards to L.

However, it turned out that Mr K had been scammed by L — there were in fact no trades or investments made at all. In truth, Mr K's money was lost once it was sent to L. Rather than being placed for investment, the funds were captured by scammers and what Mr K was being presented with was fabricated trades on a superficial platform that L had created in order to facilitate a scam.

When Mr K raised his losses with Revolut, it declined to reimburse him. Revolut maintained this position when Mr K raised a complaint. So, he brought the dispute to this office. One of our investigators ultimately considered that Revolut ought to have intervened with the third payment in the series of transactions, and that this would've prevented Mr K's loss from that point onwards. Mr K agrees with this.

Revolut does not agree. It submits that Mr K's Revolut account was neither the starting point nor the end of the payment journey for each of the transactions. Where money was transferred into the account from a separate holding Mr K has elsewhere, and the funds were sent to an account again in Mr K's name with the two crypto platforms, Revolut asserts that it should not bear sole liability for the loss incurred.

Because Revolut is not in agreement, the matter has been escalated 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.

Having done so, it's clear this case centres around Mr K's concern that Revolut ought to have prevented the payments he instructed it to make. To that end, I've focused on whether it's fair and reasonable that Revolut allowed these transactions to go ahead without first making proportionate enquiries with Mr K.

The starting point is whether Revolut had grounds to intervene or even stop the payment instructions on the basis of suspected fraud. Revolut is an authorised electronic money institution (EMI), providing payment solutions for consumers like Mr K. In accordance with the various principles of good industry practice it agrees to follow, Revolut should be on the lookout for suspicious activity and endeavour to protect consumers from the risk of financial harm posed by fraud.

Looking at the contested transactions with this in mind, I'm not convinced that the first two payments were unusual or concerning to the extent that I would expect Revolut to have carried out an intervention. They were not so unusual as to amount to a significant deviation in the way the account was normally run.

Conversely, when Mr K instructed the *third* transaction, I find that Revolut should have taken steps to enquire with him about the nature of what he was doing. This outlay marked the second remittance to the same exchange platform in quick succession on the same day; and Revolut is aware that successive payments to the same payee on the same day can often be indicative of fraudulent activity.

In disbursing this second payment, it took the overall value of expenditure for that day to a significantly higher level than recent times for the account. This transaction therefore represented a 'trigger' for Revolut, as paying this amount over the course of a matter of hours marked a considerable deviation from how the account was typically managed. What's more, Revolut was on notice that both these payments were to a crypto exchange platform, which demonstrated a sudden change in the typical expenditure type for Mr K.

All things considered, I'm satisfied there were enough triggers of unusual or uncharacteristic activity when this third payment was initiated in the sequence of transactions. In my judgment, Revolut could and should have realised that something didn't look quite right at this point — and that further enquiries would be appropriate before proceeding.

Accordingly, having concluded that Revolut ought to have intervened with this particular payment, next I need to determine what difference (if any) such an intervention would've made. This is otherwise known as 'causation'. In order for me to require Revolut to refund the disputed payments on the grounds of causation, I would need to be satisfied that it stepping in would've prevented the loss here.

I've thought carefully about whether the kind of questions that I believe ought fairly and reasonably to have been asked by Revolut would have made a difference. While it is not up to this office to dictate which questions should be asked, I believe Revolut could've, for example, asked how Mr K had been contacted, whether he parted with personal details in order to open a 'trading' account, whether the investment opportunity was advertised on social media and whether any third party had control of any of his computer devices. I say this because, these are all typical features of cryptocurrency scams.

Here, it's common ground that *all* of these hallmarks were in play — and I see no compelling reason to think that Mr K would have been anything but honest about this if asked. I'm persuaded that Mr K would have openly disclosed that this had all started with seeing L advertised on Facebook, which had led to its agent(s) having an ascendancy over his computer to the extent that it had a dominant degree of control of how and when he was making payments.

Suffice to say, Revolut would've been presented with a scenario that strongly aligned with common features of known cryptocurrency scams. Under these circumstances, I'm persuaded that, if bank staff had sought to establish further details about this third payment, it seems highly likely that the scam would have been exposed there and then, thereby preventing any further losses. Mr K would not have lost the payment and he also wouldn't have been persuaded to send the subsequent payments that were lost thereafter.

In light of this, I find it fair to require Revolut to return the third payment and those that ensued. Also, it should pay interest on this sum from the dates of payment to the date of settlement to reflect the fact that Mr K has been deprived of these funds. Because the payments were ultimately funded by transfers from Mr K's savings account with another provider (which were taken out of holding before being sent to his Revolut account), the interest should be applied at the rate of the originating savings account.

I have also weighed up whether Mr K should bear a deduction in this award considering his acts/omissions and the impact this had on the loss incurred. But it's clear that at the time of making these payments he believed L to be genuine. There was a lack of compelling information about L that I could reasonably expect an inexperienced investor like Mr K to have found within the public domain at the material time.

Moreover, the persuasive and sophisticated techniques employed led Mr K to trust L and the information it was feeding him. I'm therefore satisfied there was no contributory negligence on this occasion, as Mr K was simply the unwitting and blameless victim of clever fraudsters. Revolut was the professional in financial matters: Mr K was an unsuspecting layperson.

Finally, I turn to Revolut's representations. In summary, it contends that other payment institutions were involved in the facilitation of this fraudulent investment scheme; Mr K's money came from an account he holds with a bank before being deposited to Revolut, and then it was held (even just temporarily) in accounts again in his name with the two separate crypto platforms. To put it another way, Revolut has insisted that it should not be entirely responsible when at least two other firms were involved with accounts Mr K possesses.

I acknowledge this argument and have thought carefully about its merits. However, I do not agree that, in the individual circumstances of this case, Revolut should not be held liable for the loss its consumer endured. I say so because, I judge these losses to have been reasonably foreseeable despite the payments, on the face of it, not leaving Mr K's control.

The crucial difference between Revolut and the other businesses in the payment journey was that Mr K was instructing payments to go to exchange platforms which had the sole purpose of converting fiat currency to crypto assets — it's my understanding that this service is all that the two firms offer.

Whereas, when Mr K paid money to Revolut from his bank account(s) with another provider, the purpose of the remittance could have been for any number of reasons — at that point he was merely moving money between accounts held in his name with no clear intention or purpose.

Similarly, I'm also not convinced that the two crypto exchange platforms being paid had grounds to be disconcerted about receiving payments from a consumer, as this is precisely what would be expected. Besides, there is a lack of compelling evidence that Mr K had sufficient control of these accounts to safely say the money paid there remained in his possession, or that he could've stopped the funds being moved onwards had precautionary steps been taken.

In contrast, at the time of sending funds to these two platforms from Revolut, as an EMI with real-time payment screening technology, Revolut had constructive if not actual notice that Mr K intended to purchase crypto. Or, at the very least, had some involvement with this particular digital asset and was conducting his payments in an uncharacteristic fashion.

This is important, because, as early as mid-2018 (i.e. nearly four years prior to these contended payments), official powers published warnings about cryptocurrency scams. While UK consumers are permitted to buy and sell crypto, there has been a considerable increase in the frequency of scams whereby this digital currency is an integral part. It's fair to say that both the authorities and members of the industry governance panel have repeatedly warned of the risks this poses and the need to try and tackle it.

Indeed, by way of example, both the UK regulator and Action Fraud have given forewarning of the increase in scams featuring payments that are seemingly safe as their course is to an account in the consumer's own name — yet, there is an illicit scheme sitting behind this, which ultimately results in a loss for that account holder.

As I see it, Revolut was the only party that had this insight and the technical ability to identify that these were likely payments for crypto investment —together with a good enough understanding of how these types of scams work— to have been able to identify the risk of harm from fraud here. Consequently, I find it fair and reasonable that Revolut cover Mr K's losses in light of its failure to act.

My final decision

For the reasons given above, my final decision is that I uphold this complaint and require Revolut Ltd to:

- Refund the disputed payments from (and including) the third payment onwards; plus
- Pay interest on the disputed payment amounts at Mr K's savings account interest rate(s) from the dates of loss to the date of refund (less any tax properly deductible).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 21 April 2023.

Matthew Belcher
Ombudsman