

The complaint

Mr N complains that Revolut Ltd won't refund money he lost when he fell victim to a bank impersonation scam.

What happened

Mr N fell victim to a bank impersonation scam in March 2022. He received a call from someone purporting to be from bank "B", who he also has an account with. The caller advised Mr N that his accounts were at risk as he had recently fallen victim to a 'missed delivery' text scam after clicking on the link and providing details. He was told he needed to move his money to keep it safe.

I understand that payments were made from his account with Revolut as well as other firms as part of the impersonation scam. This decision solely relates to the two payments – £24,378 followed by £24,000 – that Mr N was tricked into making from his Revolut account to two different 'safe' accounts, which he thought had been opened in his name.

After being notified of the scam, Revolut managed to recover £2.26 and £1 from the beneficiary accounts. It refused to refund the remaining funds as it said Mr N had authorised the payments and ignored its warnings.

Our investigator initially upheld the complaint in full and recommended Revolut to refund Mr N's loss along with interest. It disagreed and provided additional information about the warnings it provided at the time of the payments. As a gesture of goodwill, Revolut offered to refund 50% of the second payment.

The investigator reconsidered the complaint in light of that response. They no longer thought that Revolut ought to have manually intervened during the first payment, but still felt that an intervention of that nature was warranted when Mr N authorised the second payment as it was in quick succession. The investigator remained satisfied that the scam would have been uncovered had probing questions been asked of Mr N during such an intervention. But they now thought that Mr N should share responsibility for his loss, and so recommended a 50% deduction from the refund. In other words, the investigator concluded that the offer Revolut had put forward was overall both fair and reasonable in the circumstances.

Mr N didn't agree with the investigator's findings and asked for an ombudsman to make a decision on the matter.

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.

I'd like to start by reassuring Mr N and Revolut that although I've only summarised the background above, so not everything that happened is detailed, I've read and considered their submissions in its entirety.

Mr N has forwarded correspondence between him and the police to demonstrate he has been a victim of fraud. I want to reassure him that it's not in question he was the victim of a cruel scam. And it's very unfortunate that he's lost a significant amount of money as a result. But Revolut doesn't automatically become liable to reimburse his loss. The starting position is that liability for an authorised payment rests with the payer, even where they are duped into making that payment. Here, it's not in dispute that Mr N authorised the transactions.

There are some situations in which a payment service provider should reasonably have taken a closer look at the circumstances surrounding a particular payment. If it fails to act on information which ought reasonably to alert it to potential fraud or financial crime, it might be liable for losses incurred by its customer as a result. So, I've gone on to consider whether this is one of those situations.

Revolut is an electronic money institution and the permissions granted to it by the Financial Conduct Authority, the UK's financial services regulator, are different to those of a bank or a building society. Electronic money institutions and authorised payment institutions operate differently and in a different regulatory framework. In broad terms, the well-established codes of practice for fraud prevention don't apply in the same way to these institutions as they do to banks and other payment service providers. I've thought about Revolut's obligations in this case against that background.

The technical evidence provided by Revolut shows that warnings were displayed at different stages of each disputed transaction that Mr N authorised.

First, there was a Confirmation of Payee (CoP) check which came back with a 'no match' response for each payment. In other words, the receiving payment service provider informed Revolut that the name Mr N had entered for the beneficiary account holder didn't match with the true name of the receiving account. In this instance, both beneficiary accounts were also held with Revolut. On the face of it, it doesn't seem totally illogical to conclude that Revolut would know the true account name –seeing as it was also the firm responding to the CoP check. But it's not as straightforward as that.

During a CoP check, the receiving payment service provider doesn't usually give any additional information about the true name of the receiving account. To my knowledge, currently there's no requirement to do so either. And that's the case even where the sending and receiving accounts are held by the same payment service provider. As can be seen from the screenshots Mr N has shared with our service for a test transaction he carried out with bank B, a separate payment service provider, the CoP 'no match' response didn't include additional information even though the receiving account was also with B.

In this case, we know Revolut's system picked up the true account names at some point as they subsequently appeared on Mr N's statement. But a screenshot of the transactions that he took on the day of the incident shows the receiving account name as the one entered by him when setting up the payment, i.e., his own name. Given this, I think it's unlikely the reconciliation of account names happened during the CoP process.

Apart from the CoP-related warning, I can see that Revolut also provided a general warning about sending payments to a new beneficiary. On its own, I don't think that warning was particularly impactful. But on this occasion, there was a further warning given when Revolut paused the payments pending further enquiry. It sent an email to Mr N both times informing him that his payment had been frozen due to being considered risky. Mr N is correct in that the email showed the beneficiary's name as that entered by him, not the true account name. But as I've mentioned, Revolut wasn't necessarily expected to have known that information and to have presented it to Mr N at that specific moment in time.

Revolut states that when it froze Mr N's payments (referenced above), it asked him for some additional information. Namely, the purpose for the payment. It submits that this additional step gave him another opportunity to review the transaction before proceeding, and for it to provide a more specific warning. The technical information I've seen shows that Mr N chose 'payment for goods and services' on both occasions as the payment purpose. Revolut then provided a further warning to Mr N that was more specific based on his response. On each occasion Mr N confirmed he was happy to go ahead, and the payment was released.

Revolut says that Mr N was presented with a 'transfer to a safe account' reason as one of the options. It argues that had he selected that reason, it would have provided a tailored warning accordingly. Mr N says he doesn't deny selecting goods and services and argues that safe account wasn't listed as one of the options. He questions the sample screenshot Revolut has shared with our service and believes that it's not reflective of what he saw at the time. To support this, Mr N has also shared screenshots of the steps (including warnings) he took when he recently attempted a test transaction for £1.

I acknowledge Mr N's concerns, but I'm more persuaded that he was presented with the options Revolut says he was shown. This is because it has told us that the specific payment purpose 'intervention' would have triggered in such situations for customers who were using a particular version of the Revolut app, which it says Mr N had been using. I accept that the payment journey of his recent test transaction doesn't include intervention. But that could be because the test transaction didn't carry the same level of risk as the disputed transactions. One possible reason could be because the amounts involved are significantly different. I would just add that the value of a payment is just one of many possible risk factors.

I've carefully considered the different warnings Revolut provided Mr N during the payment journey for each disputed transaction. I've also reviewed previous account activity. Although a payment for £24,378 was substantially higher than the usual account activity, keeping in mind Revolut's obligations as an electronic money institution, I find that such an intervention was proportionate to the risk involved. But I can't fairly say the same for the next payment of £24,000 which was authorised less than ten minutes later. I find that the same level of intervention wasn't sufficient at that time, and a manual intervention was warranted for further questioning – even if Mr N was genuinely paying for goods and services.

I understand Revolut doesn't offer phone services to its customers, and instead communicates through its in-app chat. So, I think Revolut could have still contacted Mr N and probed him further following the second payment being authorised. Had it done so, I'm persuaded that he would have answered Revolut's questions honestly. After all, there's no indication that he'd been coached by the scammer to lie. I recognise Revolut's concerns about Mr N selecting the wrong reason for the payment. But I'm not convinced that this was intentional. I do think it's more likely than not that further questioning would have uncovered the scam, thereby preventing further loss. So, I find that Revolut can be held liable for Mr N's loss resulting from the second payment.

I've also carefully thought about whether Mr N is partly to blame for what happened. And I think that he is. Mr N doesn't appear to have questioned why he needed to move his money to two separate accounts to keep it safe. He was also aware that the CoP check came back with a no match response. I understand he questioned the scammer about this, who said it was because the account had been recently set up. While I appreciate Mr N was persuaded by the scammer's explanation, it remains the case he had been warned that the name he'd entered did not match the true name on the account. There were subsequent warnings that he was potentially being scammed. Revolut was concerned enough that it even paused the payment. Despite the sense of panic that the scammer might have created, I think there were several flags in this particular case. I'm also mindful that had Mr N selected the most appropriate payment reason, it would have immediately put Revolut on notice that he had

fallen victim to an impersonation scam. Under the circumstances, I find that a 50% deduction for contributory negligence seems fair.

I've also considered whether Revolut took reasonable steps to try and recover Mr N's money once it became aware that he'd been scammed. I acknowledge his frustrations about the response time and having to deal with different agents when he reported the scam. Unfortunately, the funds had already been removed from the beneficiary accounts by the time Mr N initiated the in-app chat with Revolut. There's not much more it could have done, even if it had been quicker in responding to Mr N's messages.

Putting things right

Revolut Ltd needs to refund 50% of the second disputed transaction. To this amount, it needs to add simple interest at 8% per year. The interest is to be calculated from the date of transaction to the date of settlement.

If Revolut considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr N how much it's taken off. It should also give Mr N a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons given, my final decision is that I uphold this complaint in part. I require Revolut Ltd to put matters right for Mr N as set out above within 28 days of the date on which we tell it that Mr N accepts my decision.

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

Gagandeep Singh
Ombudsman