

The complaint

A company which I will refer to as 'D' complains that Revolut Ltd didn't do enough to help D when they fell victim to an Authorised Push Payment scam.

What happened

The background to the complaint is known to both parties and so I won't repeat it at length here. Briefly, as I understand it:

In November 2021, D made a payment of about €120,000 to who they thought was one of their suppliers. The money went to an account with Revolut. D didn't know at the time that a fraudster had intercepted the email exchange between D and the genuine supplier and amended the payment details. This came to light a few days later when the supplier contacted D for payment.

D, who is based abroad, reported the scam to their bank. The same day their bank notified Revolut of the scam. Revolut blocked the recipient's account, but unfortunately, only minimal funds remained.

D complained to Revolut. In particular they said that Revolut failed to cross verify the recipient's name in the payment instruction against the name in the account. They also said that Revolut should not have allowed a fraudster to open an account with it in the first place.

One of our investigators concluded that the complaint should be upheld. They said, in summary:

- The beneficiary's account was opened a month or so prior to the fraud. From the available information, there wasn't anything at the time the account was opened that ought reasonably to have caused Revolut to be suspicious that its customer would later use the account for fraudulent purposes.
- D argues that Revolut should have cross verified the recipient's name in the payment instruction against the name in the account before allowing the funds to be paid into the account. However, if the unique account identifiers are correct – which in this case were account number and sort code - the payment would be sent straight through to the account details provided. Revolut wasn't automatically obliged to cross verify the name at the point when the funds were received.
- That said, Revolut did contact its customer to question the receipt when the money came in. At that time, it missed an opportunity to identify the fraud and help prevent the loss to D. Therefore, it is fair that Revolut reimburses D the loss.
- However, D should bear some responsibility for the loss. The fraudster's email appeared

genuine and they gave a seemingly plausible explanation for the change in account details, and even provided a letter as if from the genuine supplier authorising D to send funds to a different bank account. However, D has explained that its usual internal process was to verify any changes to bank account details or new payees via email and over the phone with the recipient but that had not happened on this occasion. Had D called the genuine supplier the fraud would likely have come to light. So, it is fair that D bears some responsibility for their loss.

- So, by way of resolution, Revolut should reimburse D 50% of the loss they incurred after deducting the small sums already returned to D. In addition, to reflect the impact to D of being deprived of these funds, Revolut should pay 8% p.a. simple interest on the sum to be reimbursed, from the date the funds were moved out of the beneficiary's account to the date of settlement.

D accepted Investigator's opinion but Revolut did not. It said, in summary:

- Revolut has no duty to cross verify the recipient's name in the payment instruction against the name in the account. The Investigator's view appears to suggest that it has.
- It did block the inbound payment upon receipt to investigate. However, the purpose of such investigation was mainly to investigate the risks arising from the payment from D, rather than review the activity of its customer. Revolut found nothing suspicious in that regard.
- Although not a signatory to the Contingent Reimbursement Model Code (the CRM code'), the Code makes clear that receiving bank's duties extend to account opening, account activity and response to the fraud notification. Revolut had no concerns regarding the account activity. There was insufficient basis to lock its customer's account and its actions were fair and reasonable.

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 conclusions reached by the Investigator essentially for the same reasons.

I am satisfied that D is a '*small business*' for the purpose our rules and as such we have jurisdiction to consider their complaint.

Revolut has an ongoing obligation to be alert to various risks in relation to accounts with it. Specifically, I'm mindful that it must conduct their business with due skill, care and diligence; must fairly and reasonably be monitoring accounts and any payments made or received to counter various risks including anti-money laundering and preventing fraud and scams; must have systems in place to look out for unusual transactions or other signs that might indicate risk of fraud. This is particularly so given the increase in sophisticated fraud and scams in recent years.

Ultimately, it is a matter for Revolut as to how it chooses to configure its fraud detection systems and strike a balance between allowing its customers to transact business and questioning transactions to confirm they are legitimate. But where it is alleged that it didn't do enough to prevent a loss which resulted from an authorised push payment scam, I will

look into the circumstances of the case and based on what I have seen, decide whether in that case Revolut could have fairly and reasonably done more.

Revolut has provided relevant information to our service to allow us to investigate this. I am limited as to how much information I can share because it relates to a third-party account. But I'd like to assure D that I've carefully reviewed everything before reaching my decision.

Having reviewed the submissions, I agree with the Investigator that Revolut could have done more here, for the reasons they have explained.

Briefly, as I understand it, the recipient opened a business current account with Revolut few weeks before D's payment was received. Since opening, there were only a couple of transactions, all of very low value. It is in these circumstances D's payment of about €120,000 arrived. This was then quickly followed by a series of large outgoing payments.

It looks like Revolut did intervene when D's payment arrived and queried it with its customer. Revolut says that its investigation was primarily focussed on investigating the risks arising from the payment from D, rather than review the activities of its customer. However, I agree with the Investigator that there was enough going on here that ought to have prompted Revolut to take a closer look at what was happening.

Whilst I take on board that there was no requirement when crediting the payment to their customers account for Revolut to check the named beneficiary on the payment instruction matched the named account holder, once Revolut were looking at the account, they would have seen (or ought to have seen) D's incoming payment had a different beneficiary name to that of the account holder.

Revolut did question its customer about the transaction. However, I agree with the Investigator that their response wasn't compatible with other available evidence. As I said, I am limited as to how much information I can share. However, for example, there was incompatibility between the customer's stated business at the time the account was opened (which was only recently) and the reasons for which the payment was made by D as stated in the invoice. Further, it was stated in the invoice that the recipient was a 'subsidiary' of the genuine supplier, but a quick check in the Companies House records of the recipient or the genuine supplier would have shown that what this wasn't borne out.

I consider that all of this should have prompted further investigation. And had Revolut done so, it's more likely that the payment D sent would have remained in the account and would have been available for recovery when the scam was reported.

Thus, I think Revolut missed an opportunity here to help prevent the financial loss to D. Therefore, it is only fair that it compensates D for the loss. That said, I also agree with the Investigator that D should bear some responsibility for their loss for not following their usual procedure.

In the circumstances I accept that the resolution proposed by the Investigator is fair and reasonable in all the circumstances of the complaint, with a small amendment that the interest should be paid from the date Revolut was notified of the scam (which I understand was 1 December 2021) to the date of settlement.

My final decision

My final decision is that I uphold the complaint. In full and final settlement of it, Revolut Ltd should reimburse 50% of the loss to D (after allowing for the sum D has already recovered which I understand to be £57.51 and €137). In addition, Revolut should also pay interest at 8% simple p.a. on the sum reimbursed. Interest should be paid from the date Revolut was notified of the scam to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or reject my decision before 15 August 2023.

Raj Varadarajan
Ombudsman