

The complaint

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

Mr K is being represented by a third party. To keep things simple, I will refer to Mr K 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, Mr K found an investment opportunity on Facebook he found interesting. The business was called Expert Financial Solutions (X). Mr K completed a data capture form online so X could contact him and did some online research where he found X had many positive online reviews X was also registered on companies house.

X called Mr K and explained the investment opportunity. X also explained that all payments made into the investment would have to be made through a cryptocurrency exchange. Convinced by X and the research he had carried out Mr K agreed to invest.

X asked Mr K to download the screensharing application AnyDesk and X stayed in regular contact with Mr K giving him access to a platform where he could see trades being carried out in real time.

When Mr K attempted to make a withdrawal from the investment, he was told he would have to make further payments first which Mr K complied with. Mr K was then told that he would receive the withdrawal in cash via courier.

While waiting for the courier to arrive Mr K received a call from someone claiming to be the courier explaining Mr K would have to make yet another payment. At this point Mr K realised he had fallen victim to a scam.

Mr K made the following payments in relation to the scam:

Date	Payee	Amount	Payment Method
30 November 2021	Wisenex	£2,539.57	Debit Card
2 December 2021	Wisenex	£1,700.95	Debit Card
15 December 2021	Wisenex	£6,200.25	Debit Card
15 December 2021	Wisenex	£3,798.90	Debit Card
15 December 2021	Banxa Banxa	£6,000.00	Transfer
23 December 2021	Wisenex	£3,300.15	Debit Card
28 December 2021	Wisenex	£2,817.15	Debit Card
31 December 2021	Wisenex	£4,630.50	Debit Card
24 January 2022	Wallbitex	£5,548.20	Debit Card
27 January 2022	Wallbitex	£6,000.75	Debit Card
27 January 2022	Wallbitex	£1,200.16	Debit Card

31 January 2022	Wallbitex	£3,000.90	Debit Card
1 February 2022	Wallbitex	£2,999.85	Debit Card
3 February 2022	Wallbitex	£5,499.90	Debit Card

Our Investigator considered Mr K's complaint and thought it should be upheld. Revolut 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 K made

Mr K made payments into the scam by transfer and via his debit card. All the payments Mr K made were initially sent to a cryptocurrency exchange before being forwarded to X.

I have considered if Mr K should have received a refund under the Contingent Reimbursement Model (CRM) code for the payments he made into the scam by transfer. But the CRM code only applies when domestic payments (as the result of a scam) are sent to another person. Here Mr K sent the payments to an account held in his own name and the scam occurred when he moved his purchased crypto from that account to the scammer. I'm satisfied the CRM Code wouldn't apply in this scenario.

Revolut was unable to process a chargeback for the payments Mr K made via his debit card in relation to this scam to the various 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 K was dealing with X, which was the business that instigated the scam. But Mr K 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 merchant he paid, not another party.

The service provided by the cryptocurrency exchanges would have been to convert or facilitate conversion of Mr K'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 K paid. As the cryptocurrency exchanges provided the requested service to Mr K any chargeback attempt would likely fail.

Considering the above I am confident Revolut was unable to recover the payments Mr K made into the scam.

Should Revolut have reasonably prevented the payments Mr K made?

Mr K has accepted he authorised the payments that were made from his account with Revolut, albeit on X's instruction. So, the starting point here is that Mr K 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 been aware of the scam and stepped in to prevent the payments from being made.

The first two payments Mr K made into the scam were to a legitimate business, on separate days, and were for values I would not have expected to trigger Revolut's fraud prevention systems. So, I don't think it was unreasonable that Revolut didn't step in to prevent the payments being made.

Mr K made a further three payments into the scam on 15 December 2021, almost two weeks after the initial two payments were made without complaint from Mr K, so I am not surprised the first payment made on 15 December 2021 did not trigger Revolut's fraud prevention systems either. But by the time Mr K made the fourth payment into the scam he had made payments of close to £10,000 in a single day to a relatively new payee I think this would have been considered unusual activity on Mr K's account and should have triggered Revolut's fraud prevention systems prompting it to step in and question Mr K about the payments he was making.

Had Revolut stepped in at the point the fourth payment into the scam was attempted I think it would have likely uncovered the scam was taking place. Afterall, Revolut would have been aware of similar types of scams taking place around the same time.

As I think Revolut missed an opportunity to step in and prevent the scam continuing it is responsible for Mr K's loss from the fourth payment he made.

Did Mr K contribute to his loss?

I think this was a sophisticated scam and Mr K couldn't have reasonably foreseen that he was dealing with a scammer. Mr K was able to see balances on his trading account with X, and I don't think he could have reasonably known that the trading balance was likely fake or a simulation – unless prompted by his trusted bank.

Revolut has told us Mr K was presented with a warning when he made the payments into the scam, but I think this warning was generic and did not apply to Mr K specifically. Like I have said above I would have expected Revolut to step in and ask Mr K specific questions about his payments when they started to look unusual and if it had I think it would have been able to prevent the scam continuing.

Putting things right

I've explained why I think that if Revolut Ltd had done what it reasonably ought to have done, Mr K would not have lost as much to this scam as he did.

Revolut Ltd should therefore refund Mr K all of the payments he made into the scam from the fourth payment of £3,798.90 made on 15 December 2021.

To compensate Mr K for having been deprived of this money, Revolut Ltd should also pay Mr K account interest on the loss (if applicable), calculated from the date of loss to the date of settlement.

My final decision

I uphold this complaint and require Revolut Ltd to put things right by doing what I've said

above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 26 July 2023.

Terry Woodham
Ombudsman