

## **The complaint**

Miss K complains that Revolut Ltd (“Revolut”) refuses to refund her losses after she fell victim to a scam.

## **Background**

In or around April 2021, Miss K contacted a company I’ll call “S” after coming across a video online about its ability to help her invest her money. This company got her in touch with a manager working for the company, who would help her to manage her investments.

Miss K followed S’s instructions and downloaded a remote access application, a trading app and opened a Binance account in her name.

Miss K says she initially invested £250 into her trading app, and she could see that this had built up to around \$700. She asked if she could withdraw some money and was told she could. Miss K hasn’t specified how this initial payment was made but I can see a payment to Cryptopayin on 5 May 2021 leaving Miss K’s Revolut account via a card payment.

On or around the 26 May 2021, Revolut said Miss K tried to pay £10,400 into her Binance account from her Revolut account. Revolut blocked this payment and sent Miss K an alert explaining that its system had alerted this transaction as suspicious which had been declined to protect her. It went on to explain that if she decided to make the payment again, it would not block it. But if she made the payment again, and it turned out to be paid to a fraudster, it warned she may lose all her money. It also sent her a link to more information about how she can protect herself from fraud.

Miss K went on to make two payments of £5,000 and £5,400 on the same day.

On 27 May 2021, Miss K received £496.72 into her Revolut account and she says this was the profit she’d earned from her earlier investment of £250.

Believing S was delivering and working as it was meant to, Miss K went on to make several more transfers to her Binance account, and then on to S to be invested. In total, Miss K transferred over £110,000, the last transaction taking place on 7 June 2021.

On 8 June 2021, Miss K informed Revolut that she may have been the victim of an investment scam. She had tried to retrieve her money from the investment only to be told that she needed to pay more, or she’d lose everything she’d already invested. She subsequently lost access to her account and money and my understanding is she hasn’t been able to retrieve any further funds.

Revolut contacted the beneficiary bank to see if any funds remained but they eventually replied saying no funds remained. Revolut also explained that it would not refund her the money she’d lost.

Miss K raised a complaint explaining that she’d been a victim of a scam and she didn’t think Revolut had taken appropriate steps to protect her from harm.

Revolut disagreed, saying it had blocked her first transaction to Binance, and given her a warning. It also tried to retrieve any remaining funds from the recipient bank.

Unhappy, Miss K then referred the complaint to this service. Our investigator felt the complaint should be upheld and Revolut should refund the money Miss K had lost. He explained that Revolut had been aware that such scams were taking place since 2018, and had it called her rather than simply sending her an alert, it could have discovered the scam and prevented the losses Miss K suffered.

Revolut disagreed. It felt that even if it had called Miss K, she would have informed it that the money was being used to buy investments and that she had already built a relationship of trust with S, so it doesn't think a call would have dissuaded her from investing with S.

As the complaint couldn't be resolved, it was passed to me.

In my provisional decision of 23 May 2023, I set out why I was minded to upholding the complaint. I invited both parties to provide any further submissions they may wish to make before I reached a final decision. Revolut did not make any further submissions. Miss K sought to clarify her understanding of one fact but did also accept my findings.

## **My findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In my provisional decision I explained the following:

*... currently I intend to uphold this complaint for broadly the same reasons as our investigator, and I'll explain why.*

*To begin with, where customers authorise payments from their accounts, businesses such as Revolut are under an obligation to process such transfers. If consumers are the victim of a scam (like Miss K), the starting point is that consumers have to bear the losses. To be clear, Revolut did not scam Miss K and it is not the perpetrator of the scam.*

*However, financial businesses also have a duty to try to prevent their customers falling victim to scams. Businesses therefore need to strike a balance between intervening in payments to prevent scams or financial harm, against the risk of unnecessarily inconveniencing or delaying legitimate transactions. So, I want to re-assure Revolut that I don't take this complaint lightly and have thought carefully about if and/or why it should bear the loss in this case.*

*Revolut blocked a transaction for £10,400 before Miss K made any other payments to her Binance account. Its systems had identified this transaction as suspicious. And given the general nature of spending on her Revolut account prior to this, I think this was to be expected. Revolut says it sent her an alert (as set out above), and it didn't dissuade Miss K from continuing to send money to her Binance account. It feels that even if it had called her, it wouldn't have been able to stop her from making further payments.*

*But I disagree as I don't think a written warning would've carried the same impact, in circumstances where Miss K already thought she was dealing with a legitimate company. So, I don't think this was a sufficient response to the fraud risk it did identify. Particularly as the warning we've been shown, gave no context as to why it might appear suspicious, or what warning signs Miss K should be looking out for. And I'm satisfied that if Revolut had a*

*conversation with Miss K, talking through what was going on, in line with its duty of care, it seems probable that Miss K would have been alerted about the scam in time and stopped the first payment in its tracks. The fraud would have failed; and Miss K would not have lost £10,400 or the transfers that followed in the following weeks.*

*Miss K had only discovered this company online. She hadn't for example had extensive dealings with them in the past or been recommended them by any trusted friends or networks. She herself said she'd had concerns about some negative reviews on online review sites and questioned the manager about them – although nothing online had suggested it was a scam at the time. I think given her lack of experience with the company and with investing/trading of this nature, she would have been open and forthcoming with Revolut and any warnings Revolut gave her following a discussion with them would have been taken seriously.*

*The Financial Conduct Authority ("the FCA") published warnings about scams of this nature in mid-2018. Since early 2019, given the rise of such scams and warnings from the FCA, financial businesses have had time to digest these warnings and put mechanisms in place to detect and prevent this type of fraud.*

*I agree with Revolut when it says that if it had called Miss K, I can see no reason why Miss K would have been anything but honest about what she was doing and Revolut would have identified that the payment was going to her own Binance account for the purposes of a crypto investment. But I think it was clear from previous warnings from the regulator, that it was a common theme of this type of scam that consumers often moved money to an account in their own name before moving it on again to the fraudster. So, I think, if Revolut had acted appropriately, it would have been able to identify the risk of harm from fraud. If Revolut then probed further, as it should have, I think it's likely that it would have discovered some other common features of the scam such as Miss K being provided with a trading account, having an account manager who was coaching her on what to do, and that the company she was communicating with wasn't regulated.*

*These factors would have enabled Revolut to give her context and detail as to why she was specifically at risk of harm, rather than a general scam warning via an alert.*

*I have to bear in mind that Revolut had knowledge of these types of scams, and had identified the transaction as suspicious and was in a position to share that information with Miss K. I have no reason to doubt, that had such an interaction taken place, Miss K would have heeded the warnings and trusted her Revolut account provider and not carried on with the transaction. I've considered the possibility that Miss K might have been so taken in by the scam that she would have made the payments anyway, like Revolut says. But I don't think that's likely. Her dealings with S before the payment had been blocked by Revolut had been minimal and I've seen nothing to suggest that Miss K was so enamored by S that she would have continued to transact despite Revolut's warning (as suggested by Revolut).*

*I've also thought about Revolut's comments about other financial institutions having previously held Miss K's money and allowed the money to be transferred out of its account (much like Revolut did), which was eventually sent onto the scammers. Revolut felt it shouldn't be held liable for the losses alone purely because it was the last regulated business that held the money before it was moved onto an unregulated company (from which the losses occurred) and then on to the scammers.*

*However, as explained above, the reason I think the complaint should be upheld and Revolut be held liable for the losses is because it missed a clear opportunity to prevent the loss, and had it acted in line with its duty of care, than it could have prevented Miss K falling victim to the scam. As explained by our investigator, I think Revolut noticed that the*

*transaction was suspicious, and blocked it, but it didn't take adequate steps to prevent Miss K from the financial harm caused by the scam. Had it done so, I think it would have most likely prevented Miss K from falling victim to the scam and prevented the loss. So, I think it should reimburse the loss suffered by Miss K.*

*I've gone on to consider whether Miss K's redress should be reduced for contributory negligence. I believe Miss K was a victim of a scam, and also understand that prior to deciding to invest, Miss K had been experiencing some difficulty with her employer and has since lost her job. I have no doubt that this was a stressful time for her.*

*But I also have to bear in mind that Miss K transferred substantial sums of money to the scammers in a very short space of time. She sent this money to an unregulated business, without seeking any financial advice, and without having had any previously dealings with them despite seeing some negative reviews online. In my view, a reasonable consumer ought to have recognised that there was some risk in sending that much money to an unknown and unregulated company. While I sympathise with her position, for the reasons explained above, I still think she should bear some liability for her loss because she hasn't acted reasonably considering all the circumstances of this case. So, I think Revolut can deduct 25% from her redress award in recognition of this.*

*I would add that I also intend to award 8% interest as, if Revolut had acted in line with its duty of care, Miss K would have had access to these sums and has been deprived of that money.*

*I understand the experience has caused Miss K distress and inconvenience. While I am very sorry for the difficulties she has experienced, ultimately it was the scammer who was responsible for her suffering. And whilst I have concluded Revolut most likely could have prevented the payments, I've also explained why I think a 25% reduction to the compensation due to contributory negligence is appropriate. Bearing all of this in mind, overall, I'm satisfied the award I have set out here represents a fair outcome to this case, so I don't intend to make an additional award for distress and inconvenience.*

### **Putting things right**

*Revolut should pay Miss B:*

- *A refund of 75% of all payments made to Binance from 26 May 2021 until the 7 June 2021.*
- *Interest on all payments calculated at 8% simple per year from the respective dates of loss to the date of settlement.*

*If Revolut deducts tax from this interest, it should provide the Miss B with the appropriate tax deduction certificate*

Neither Revolut nor Miss K have made any additional submissions. In the absence of any new points for me to consider, I find no reason to depart from my original findings as set out in my provisional decision. So, for the same reasons as my provisional decision (and as set out above). I uphold this complaint.

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### **My final decision**

For the reasons explained, I uphold this complaint. Revolut Ltd should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 10 July 2023.

Asma Begum  
**Ombudsman**