

The complaint

Mr G says Revolut Ltd ("Revolut"), didn't do enough to help when he fell victim to an investment scam. He says Revolut should reimburse him for the money he lost.

What happened

As both parties are familiar with the circumstances of this complaint, I've summarised them briefly below.

In summary, Mr G fell victim to a crypto-investment scam. Mr G had seen advertisements and promotions relating to cryptocurrency on social media for some time and in 2022 spotted an advert for an investment company that Mr G said looked professional. The investment company seemingly offered an online trading platform that enabled trading in various stocks and cryptocurrencies. Mr G logged his interest and shortly after received contact from someone purporting to work for the company.

Unbeknown to Mr G at the time, he was in fact liaising with a scammer.

Mr G has explained that the scammer sounded professional and discussed details of investing and explained that the company took 12.5% of profits made. Mr G has said he conducted some reviews and found positive comments online and believing everything to be legitimate decided to invest. Mr G says that he was required to provide photo identification and proof of address also as part of the supposed companies due diligence for Anti-Money Laundering regulations – which he says at the time reassured him the company was legitimate.

In June 2022, Mr G initially invested a small amount of around £200 (with payment being made from another account he held with another provider). Mr G made the payment to a cryptocurrency exchange account that was held in his name. And from there he paid the company to trade on his behalf. Mr G was subsequently shown that he had made good returns and also received around £180 back – with Mr G being satisfied with the withdrawal process.

In July 2022, the scammer convinced Mr G to invest more and to upgrade his account which would mean a lower rate of commission and more access to be able to trade with other commodities. The scammer also explained a bonus scheme that if Mr G reached \$7,000 in profits the company would deposit a bonus of between \$2,000 - \$3,000 into the account. Happy with how things had gone up to that point and believing everything to be genuine, Mr G made further payments of £2,683 on 12 July 2022 and £1,800 and £2,050 on 13 July 2022.

Mr G was shown that his trading was going successfully and that \$2,000 had been deposited into his supposed trading account. After a while Mr G believed that he had accumulated around \$9,000 in profits. It was at this point Mr G decided to withdraw. Mr G was told he needed to pay a fee of £200 which he paid into his cryptocurrency account by card. And then he was told that he needed to pay 12.5% commission. As Mr G had supposedly upgraded his account – Mr G queried this. The situation and scam unravelled from this point and Mr G soon realised he had been the victim of a scam.

Mr G reported the matter to Revolut. Ultimately Revolut didn't consider it was liable for the losses Mr G incurred.

Unhappy, Mr G brought his complaint to our service.

Our Investigator reviewed the matter and didn't recommend the complaint be upheld. They didn't consider Revolut ought to have had a cause for concern that Mr G was potentially at risk of financial harm, or that he was falling victim to a scam to an extent that it ought to have intervened and questioned him further about the transfers.

With regards to the recovery of any funds, as the cryptocurrency had been moved on from Mr G's cryptocurrency account, the Investigator considered there wasn't anything further that Revolut could do to recover the funds.

Mr G ultimately disagreed with the Investigator's opinion and thought more should have been done by Revolut to prevent his losses.

As Mr G disagreed with the Investigator's opinion, and as the matter hasn't been resolved, it's been passed to me to decide.

I issued a provisional decision on 19 May 2023 as I was minded to depart from the conclusions our Investigator had reached.

In summary, I considered that when Mr G made the third transfer (for £2,050), Revolut could have done more to identify and prevent Mr G from the risk of financial harm. Had it done so and had Revolut asked some questions to challenge the purpose of the transfer and brought to life the type of scam Mr G was at potential risk of falling victim to, I was persuaded it was more likely than not the scam would have come to light, and Mr G's losses could have been prevented from this point.

I therefore considered Mr G should be refunded in full, for payment three and the card payment - so £2,250 in total (that being the sum of £2,050 and £200). And additional interest on that amount should be paid at the account rate the funds originated from, from the date of each loss until the date of settlement.

Mr G agreed to the provisional decision.

Revolut responded and pointed out that Mr G had in fact made payment one on 12 July 2022, payment two on 13 July 2023 but payment three was carried out on 15 July 2022 and not 13 July 2022.

I considered this and responded to Revolut explaining that despite this, I was still of the opinion that by the time Mr G was making the third payment, a pattern of activity was starting to build that suggested Mr G could possibly be at risk of financial harm and more could have been done by Revolut to identify this which reasonably could have prevented the loss. And, to my mind, the reasons I set out within my provisional decision regarding the third payment and what I consider Revolut ought reasonably to have done, still stood.

So, I was still minded to say that when Mr G made the third transfer (for £2,050), Revolut could have done more to identify and prevent Mr G from the risk of financial harm. Had it done so and had Revolut asked some questions to challenge the purpose of the transfer and brought to life the type of scam Mr G was at potential risk of falling victim to, I was persuaded it was more likely than not the scam would have come to light, and Mr G's losses could have been prevented at this point. And I didn't consider Mr G should bear any responsibility for the loss.

Revolut remained in disagreement. And it provided further reasons for me to consider. It explained that the transactions weren't made in a quick succession and the funds were moved to an account under the customer's own name. Revolut considered it did not have enough information to know what Mr G's spending habits were to determine what type of transactions could be deemed as out of character or not. It explained that there was around a dozen transactions (mostly card payments) made between the account's opening up until the first disputed transfer. Revolut further advised Mr G had also exchanged £100.00 to BTC (cryptocurrency) using their account during this time.

Revolut further considered Mr G had never used his Revolut account as his main account and there had not been a consistent balance in it. Revolut was of the opinion that Mr G selected "Spend or save money" as the purpose of his account when he opened it, and this was the most accurate selection from the list and it fits his account history even though the account history is brief.

Revolut argued that in my original provisional decision, the main argument to refund was the fact that Mr G made a second transfer to the same beneficiary four hours apart on the second day, and this should have led to Revolut understanding that the customer was very likely being scammed because of it and not simply making a regular non-fraudulent transfer. Revolut considered this argument was no longer applicable because of the confusion surrounding the date the third payment was made.

Revolut says from its perspective, by looking at the pattern of the transfers and their amounts, such transfers are extremely common. And its customers can make a transfer to the same beneficiary a few days apart and it believes that interrogating its customers every time would be too intrusive and result in a very poor customer experience. It says thousands upon thousands of transfers are made like this every day and literally only a few of them are reported to it as part of some sort of scam. It felt it cannot stop them each time because they are simply too common and not unusual enough.

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 uphold this complaint in part. I'll explain why.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

I've considered all of Revolut's responses on this matter and they don't change my decision.

The crux of this complaint is that Revolut doesn't consider the activity was unusual or out of character and therefore it couldn't have prevented Mr G's loss.

Mr G had held his account for around 10 months at the time of making the transactions in question.

I note that Revolut pointed out in its response:

"...We did not have enough information to know what the customer's spending habits were to determine what type of transactions could be deemed as out of character or not. There has only been a dozen of transactions (mostly card payments) made between the account's opening up until the first disputed transfer..."

As Revolut pointed out, Mr G had held the account for around ten months and had only made a dozen transactions in that time for mostly card payments. So to my mind, Mr G, making three payments of considerably more value than what he had used the account for previously suggests there was a deviation in how the account was now being used.

I explained within my provisional decision, how Revolut wishes to configure its fraud detection systems is its own commercial decision. But Revolut are required to carry out monitoring of accounts and to be on the lookout for unusual or suspicious activity that may indicate its customer is at risk of fraud or financial harm. And this includes looking out for suspicious activity or patterns of activity that may indicate to it that its customer could be at risk. When I consider the account and the usage in the 10 months prior, I think Revolut could have identified that Mr G was potentially at risk when he made the third payment.

I accept, in isolation, possibly the value of the payments in and of themselves might not have been an immediate identifier to Revolut, and I acknowledge that the transactions were made on different days. However, an amount or the duration over which multiple payments are made aren't the sole factors that Revolut should be relying on when being on the lookout for unusual or suspicious activity.

To my mind a pattern – that was potentially suspicious in nature was starting to emerge. Consumers can make one-off larger transactions – and I didn't think it reasonable to suggest that Revolut were on notice straight away. But here, Mr G suddenly started making considerable payments into and out of the account – compared to its previous usage for mostly minor card payments in the 10 months prior. And while I acknowledge Mr G had exchanged £100 into bitcoin at the end of June 2022, the disputed payments were considerably more significant in value, which didn't align with how Mr G transacted on his account in the 10 months prior to the scam. Also, by the time Mr G was making the third payment – it would have meant his spend was over £6,500 in under one week, which didn't align with his spending habits on the account prior to the scam.

So, to my mind, by the time Mr G made the third payment, a potential identifiable pattern was starting to emerge that had the hallmarks of someone possibly falling victim to a scam. When considering its obligations to be on the lookout for suspicious activity I think Revolut ought to have identified a pattern was starting to emerge and it could have done more to satisfy itself that its consumer wasn't at risk.

As I have said, Revolut has the knowledge of scams and how they can play out. A sudden change to how an account was being used and with the consumer making multiple payments over a number of days to the same beneficiary – suggests that they could potentially be at risk of financial harm. The pattern of activity suggests that. And here, Revolut didn't carry out any additional checks or ask any payment purpose or provide any warning and I think it ought to have done more here.

Revolut are the experts here and has the knowledge of how cryptocurrency scams look and feel. Had it provided Mr G with examples of these types of scams and brought them to life, I think it would have resonated with Mr G. Mr G had found the advert on social media, had invested a small sum and received a small amount back and was then being asked to invest more while being shown trading platforms that showed he was making good profits and was also being tempted with upgraded accounts and bonuses. These are the common hallmarks of these types of scams that Revolut is familiar with. So I think had Revolut through asking a payment purpose and providing a warning or asked additional questions through its in-app chat and pointed out some of the hallmarks of these types of scams and that it was more likely than not a scam and explain what checks Mr G could take to verify things, the loss could have been prevented.

I appreciate that Revolut has provided examples of what it considers to be similar decisions of a similar nature, however each case is assessed on its own merit and individual circumstances. Fraud, its prevalence and how businesses tackle identifying those consumers at risk of potential harm will naturally evolve and change over time as further insight and awareness is gained into specific scam types and fraud patterns. I am mindful that purely just looking at triggers from an 'amount' or 'quick succession' perspective, while are key identifiers, aren't the only identifiers and Firms such as Revolut should be on the lookout for patterns of suspicious activity that could indicate that its consumer is potentially at risk of financial harm.

Should Mr G bear some responsibility for his losses?

In reaching my conclusions about what is fair and reasonable in this case, I have also considered whether Mr G should bear some responsibility for his losses also.

In this case, I don't think Mr G should bear any responsibility. Mr G wasn't aware of cryptocurrency scams and how they work, and I can see why at the time he thought things seemed ok. Mr G was simply the victim of a cruel scam. I am satisfied he believed he was liaising with a genuine company at the time and in the absence of any additional checks or warnings from Revolut, didn't foresee the risk of this sort of harm and was not partly to blame for what happened. So, on the particular facts of this individual case, I don't consider it fair to reduce compensation for some of the loss due to any blameworthy acts or omissions by Mr G.

Recovery of the funds

Given Mr G sent the funds to a cryptocurrency account in his own name – with his money being converted into cryptocurrency and moved on – there wasn't anything further Revolut could do to help Mr G recover his funds.

Summary

Overall, I consider when Mr G made the third transfer (for £2,050), Revolut could have done more to prevent Mr G from the risk of financial harm. Had it done so and had Revolut asked some questions to challenge the purpose of the transfer and brought to life the type of scam Mr G was at potential risk of falling victim to, I'm persuaded it is more likely than not the scam would have come to light, and Mr G's losses could have been prevented from this point.

Putting things right

For the reasons given above, I intend to uphold, in part, Mr G's complaint against Revolut Ltd.

I direct Revolut Ltd to:

- Refund in full, payment three and the card payment - so £2,250 in total (that being the sum of £2,050 and £200).
- Pay additional interest on that amount at the account rate the funds originated from. This should be calculated from the date of each loss until the date of settlement.

I think this is fair additional compensation in this instance because Mr G transferred the funds into his Revolut Ltd account from an account he held with another provider. And Mr G has said the money he lost was his savings. So it seems fair to award the originating account rate as this would place Mr G back in the position as far as is possible had things not gone wrong.

Mr G should provide either Revolut Ltd or our service with information about the originating account rate to enable this part of the redress compensation to be worked out by Revolut Ltd *

**If Revolut Ltd deducts tax from this part of the award it should provide a tax deduction certificate to Mr G so he can reclaim the amount from HMRC if eligible to do so.*

My final decision

My final decision is that I uphold this complaint in part, and I require Revolut Ltd to put things right as I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 27 July 2023.

Matthew Horner
Ombudsman