

The complaint

Mr C complains that Revolut Ltd won't refund the money he lost when he fell victim to a cryptocurrency scam.

Mr C is bringing this complaint using representatives. To make my decision easier to read, I will refer only to Mr C. I do this even where it was his solicitors rather than Mr C who said or did something. I mean no discourtesy in taking this approach.

What happened

The circumstances that led to this complaint are now well known to both parties, so I won't repeat them in detail here. In summary, Mr C fell victim to a cryptocurrency investment scam after seeing an advert for a trading platform on social media.

Mr C made four payments from his Revolut account between 8 June 2022 and 4 July 2022 totalling £9,440. Initially, Mr C was pleased with how things were going as the investments looked to be making money on top of what he'd put in. But then the financial advisor was pressuring Mr C to make more and more trades in bitcoin, leaving him short on money to live on.

The scam was uncovered when the financial advisor kept making excuses as to why Mr C couldn't withdraw any money. Eventually they stopped responding to him. Mr C reported the scam to Revolut and asked it to refund the money he'd lost.

Revolut said it was unable to reimburse Mr C's loss. In its final response, Revolut said it had displayed warning messages and Mr C had confirmed he trusted the beneficiary at the time the payments were made. It tried to recover the funds he'd sent but none remained. Unhappy with Revolut's position, Mr C complained to us.

I issued a provisional decision on 22 June 2023 explaining why I was minded to partially uphold the complaint. My findings are copied below:

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

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 be good industry practice at the time.

The starting position at law is that Revolut is expected to process payments and withdrawals that its customer authorises it to make. I've thought carefully about whether Mr C authorised the disputed payments, especially as he's explained that the fraudster sometimes had control of his phone by using remote access software. But Revolut has recently provided evidence to show that the version of Revolut's app that was running on Mr C's phone at the time the disputed payments were made prevented remote access altogether. As such, I am persuaded that whilst the fraudster was supporting Mr C to make the payments, it seems

more likely than not that these payments were authorised by Mr C, even though he did not intend for this money to go to fraudsters.

But this is not the end of the matter. Revolut should be on the lookout for unusual and out of character situations which can indicate that a transaction could involve fraud or be the result of a scam. So, I've also considered whether it should have identified that Mr C was potentially at risk of falling victim to fraud as a result of the payments, or otherwise done more to protect him. When considering what payments should be considered significantly out of character, it's often a finely balanced matter – and firms have a difficult balance to strike between identifying transactions where there are indications of higher fraud risks, and allowing customers to utilise their accounts as they want to with minimal unnecessary disruptions.

As Mr C opened the account specifically to make these payments, there wasn't any previous account history for Revolut to compare the payments to when trying to see whether they were unusual or out of character.

I don't think it should have been immediately obvious to Revolut that Mr C was at risk of financial harm from fraud. The payment of £790 made on 8 June would not have appeared unusual to Revolut in and of itself. It was not for such a large amount that I'd necessarily expect Revolut to intervene and question it.

But I do think the situation evolved and the way that Mr C went on to use the account ought to have caused Revolut concern. When Mr C opened the Revolut account, he selected the account opening purpose of spend or save daily for day-to-day spending. But it became apparent that this is not how the account was actually being run. The next payment made was on 13 June. It was a transaction of £4,950 to the same cryptocurrency exchange. In the intervening five days, there had been no other activity on the account. This payment was over six times larger than the first one Mr C made. Whilst I accept that Revolut did not have much information to go on, what it could see was concerning as it contradicted the information it had been given. I consider that the way the account was running was different enough to what Revolut had been led to expect and I think there was enough going on that it ought reasonably have suspected Mr C might have been at risk of harm from a cryptocurrency investment scam.

As such, I think it would have been fair and reasonable for Revolut to have displayed an on-screen warning message that was specifically tailored to the risks presented by cryptocurrency investment scams. From what I have seen, Revolut gave a standard warning prompting its customer to reflect on whether they know or trust the payee. Revolut says it shows this message to customers before any transfer to a new beneficiary. It didn't specifically pick up that Mr C was sending money to a cryptocurrency exchange, and I have not seen any evidence to suggest that Mr C was prompted to select a specific payment purpose at the time each payment was made.

In all the circumstances here, I think Revolut ought to have been alive to the risk that the payments were being made in connection to a cryptocurrency investment scam. This means the general information it gave did not go far enough. It is generally considered good industry practice now for all firms to provide tailored written scam warnings during a payment journey where a scam risk is identified. I think Revolut ought to have identified the specific cryptocurrency scam risk and provided a tailored warning alongside the second payment which covered off the key features of a cryptocurrency investment scam, in a clear and understandable way.

I've thought about the interactions Mr C was having with the fraudster at the time the payments were being made and whether they would have impeded Mr C's ability to digest a

tailored warning. But as Revolut's technical evidence has shown that remote access would not have been possible at the key points in the payment journey, I am not persuaded that Mr C would have gone ahead regardless or that the fraudster had the opportunity to conceal information so he would not have seen it. I've looked carefully at the messages Mr C exchanged with the fraudster and I've not seen anything to suggest that he was given a cover story or told that he should mislead if challenged, so it seems more likely than not that Mr C would have picked a payment purpose for cryptocurrency investing if he'd been presented with the opportunity to give Revolut more details about what the payment was for. On balance, I am persuaded that information bringing to life what a cryptocurrency scam looks and feels like would have resonated with Mr C and unsettled him to such an extent that he would not have gone any further with the payments. This was a lot of money for Mr C to lose and I don't think he would have continued if he'd been made aware there was a possibility this was not legitimate.

I've thought about whether Mr C ought to take some responsibility for the loss too. But I think he has been the unwitting victim of a clever fraudster. I am not persuaded that Mr C's actions or inactions have contributed to the loss that he went on to suffer to such an extent that he should be held partially liable for it. I think a reasonable person could similarly have been persuaded to invest in what, on the face of it, appeared to be a legitimate investment opportunity.

This means I am currently proposing to find that Revolut should refund the payments Mr C made to the cryptocurrency exchange between 13 June and 4 July, totalling £8,650. I also think it would be fair and reasonable for Revolut to pay 8% simple interest from the date each payment was made to the date of settlement.

In reaching this position, I can confirm that I have seen the statements for Mr C's other bank account where the money originated from before it was transferred into Revolut. Some of this money came from a loan, so I think overall 8% simple interest is the fairest way to recognise that we don't know for sure what Mr C would have otherwise done with the money and to acknowledge that he's incurred costs connected to borrowing for a proportion of the funds. The actions of other parties in this payment chain would not remove or extinguish any responsibilities of Revolut, but for completeness my understanding is that Mr C has not been reimbursed any funds by either his other bank or the loan provider.

Mr C accepted my provisional decision.

Revolut disagreed. It said, in summary, that:

- Mr C's account activity contradicting what he'd set as the account's purpose wasn't enough to say that Revolut should have known there was something suspicious.
- Mr C didn't use the account for much so there was not much information to go off.
- The second transaction of £4,950 was not suspicious enough that Revolut ought to have intervened in any way and the fact the money was going to a known cryptocurrency exchange isn't suspicious in and of itself. It pointed out that not all cryptocurrency activity is fraudulent, and it can't stop a customer from making a transfer just because they are buying cryptocurrency.
- Mr C would have disregarded any warnings Revolut may have shown him because in his mind at the time the situation wasn't fraudulent, and carried no risk because he was sending the money to himself. It pointed out that Mr C was in contact with the fraudsters throughout the time so it's very likely he would have been distracted.

As both parties have now considered and responded to my provisional decision, I will consider the matter afresh.

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, Revolut's response to my provisional decision has not persuaded me to reach a different conclusion. I still think it ought to have identified a cryptocurrency scam risk and that an appropriate intervention would have prevented some of the loss Mr C went on to suffer.

For clarity, I am not suggesting that Revolut should challenge every transaction that displays some connection to cryptocurrency. It's not reasonable to expect a firm to be involved in every transaction and I recognise there is a balance to be struck. But Revolut has an obligation to protect its customers from the possibility of financial harm from fraud and I don't think it did enough here to disrupt or uncover a potential fraud or scam based on the risk factors that were presenting. The fact that Mr C had only recently opened the Revolut account, that he was using it differently to what he'd said the account was for and that he was making increasingly large payments to a cryptocurrency exchange layers to build a concerning picture.

Revolut is already aware that the FCA and Action Fraud published warnings about cryptocurrency scams in mid-2018. By the time of Mr C's payments in summer 2022, cryptocurrency scams had risen greatly in frequency and it's reasonable to conclude that firms like Revolut had time to digest these warnings and put mechanisms in place to detect and prevent this type of fraud. So I think Revolut ought to have been well aware that even if the payments appeared to be going to Mr C's own cryptocurrency account, there was a material risk it was destined to be moved on from there to fraudsters – meaning he was at significant risk of financial harm due to a fraud or scam. I still consider that Revolut ought to have at least provided a written warning to cover this specific scam risk. By this time, Revolut had a good understanding of how the key features of a scam like the one Mr C fell victim to work and it was well placed to give him a meaningful warning to bring these risks to life.

Revolut has argued that Mr C would have disregarded a warning in any case so it still could not have prevented his losses. But I've not seen anything that makes me think he wouldn't have taken a warning seriously. If Mr C had been given meaningful information explaining that what he was doing bore all of the hallmarks of a cryptocurrency investment scam, I think this would have resonated with him and he would have recognised his own circumstances.

Nothing Revolut has said has changed my position. So, for the reasons given both in my provisional decision (which is included above and forms part of this final decision) and the further analysis I have provided here, I still think Revolut ought to have identified the specific cryptocurrency scam risk and provided a tailored warning alongside the second payment to cover off the key features of a cryptocurrency investment scam, in a clear and understandable way.

I think provision of this information would have, on balance, unsettled Mr C to such an extent that he would not have continued to make the payments and I don't think Mr C's actions or inactions are such that he should bear some responsibility by way of contributory negligence. As such, I consider it to be fair and reasonable for Revolut to compensate Mr C for failing to prevent some of his loss.

Putting things right

- Revolut should now refund the payments Mr C made to the cryptocurrency exchange between 13 June 2022 and 4 July 2022, totalling £8,650.
- As Mr C has been deprived of those funds, I also think it would be fair and reasonable for Revolut to pay 8% simple interest* on the sum from the date each payment was made to the date of settlement.

**If Revolut considers it is required by HM Revenue & Customs to take off income tax from the interest, it should tell Mr C how much it's taken off. It should also give him a certificate showing this, if he asks for one, so that he can reclaim the tax from HMRC if appropriate.*

My final decision

My final decision is that I uphold this complaint in part and Revolut Ltd should now settle the matter in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 9 August 2023.

Claire Marsh
Ombudsman