

## The complaint

Miss M complains that Revolut Ltd (Revolut) wouldn't refund money she lost in a scam.

## What happened

### *What Miss M says:*

Miss M is an international student studying in the UK. On 31 October 2022, she got a call from someone purporting to be calling on behalf of HMRC. They told her she had committed tax fraud and owed £1,890. She validated the caller's number as being from the criminal court in Birmingham. The caller said she could either go to court or pay the amount due. They threatened Miss M with arrest if she didn't comply. Miss M was new to the UK and didn't understand how the tax authorities and government departments worked. She felt very stressed and worried about the allegations and believed the story she was told.

Miss M made a payment of £1,890 from another bank account. The caller then sent a letter from 'HMRC' which said there were four alleged charges, plus an arrest warrant. The caller said more funds were needed. She paid a further amount of £720 from another bank account and then £980 and £900 from her Revolut account as shown:

Date/time	Amount
31 October 2022 – 10.54	£980
31 October 2022 – 11.18	£900

The payments were to a named personal account. She paid a total of £4,490 from three bank accounts. The callers then said the allegations were 'taken down' but then asked for another £998 – which she didn't have and didn't pay.

Miss M contacted Revolut just after the scam on 31 October 2022 – at 12.13. She also reported the scam to Action Fraud.

Miss M said the other two banks refunded the money paid from those accounts - £2,610. But – Revolut had refused to refund the payments. She couldn't see why two other banks would refund the money, but Revolut wouldn't – as it was all part of the same scam. She said that surely all UK banks operate the same way – so Revolut should also refund her.

Miss M said she has lost a lot of the money she needed to fund her studies in the UK. She said she may have to return home without the refund of the money she lost.

### *What Revolut say:*

Revolut said they did all they could to protect Miss M. They confirmed the beneficiary to be a valid account holder at the recipient bank. Miss M then proceeded with the transfers. She confirmed that she trusted the beneficiary – after Revolut had warned her that she could potentially be a victim of fraud. Before making the payment, she was advised the beneficiary would receive the money in seconds. By the time Miss M contacted Revolut about the scam,

the payments had been made.

Revolut said Miss M authorised the payments via 'biometric authentication' and/or a passcode in the app.

Revolut said they'd contacted the recipient bank – and were told no funds remained in the beneficiary's account. So no money could be repaid.

So – Revolut didn't refund the money or uphold Miss M's complaint.

*Our investigation so far:*

Miss M brought her complaint to us. Our investigator didn't uphold it. He said Miss M authorised the payments. The payments weren't unusual when compared to the normal activity in Miss M's account. The payee details matched the account Miss M was sending the funds to. Revolut had considered the payments to have some risk and warned Miss M about a possible scam. But Miss M still went ahead with the payments. Revolut contacted the recipient bank, but the funds had been withdrawn before Miss M notified Revolut of the scam.

Miss M didn't agree. She argued again that she couldn't see how two other banks refunded the money she paid from those accounts, but Revolut wouldn't. She asked that an ombudsman look at her complaint – so it has come to me to make a final decision.

*I made a provisional decision which said:*

I'm sorry to hear that Miss M has lost money in a cruel scam. She was new to the UK – as a student studying here. So – I can understand how stressful and upsetting this must have been for her in those circumstances.

It's not in question that she authorised and consented to the payments in this case. So although Miss M didn't intend for the money to go to the scammer, she is presumed to be liable for the loss in the first instance.

Although she didn't intend the money to go to the scammer, under the Payment Services Regulations and the terms and conditions of his account, Miss M is presumed to be liable for his loss in the first instance. And under the terms and conditions of the account Miss M held with Revolut, where a valid payment instruction has been received, Revolut's obligation is to follow the instructions that Miss M provides.

But, taking into account the law, regulatory rules and guidance, relevant codes of practice and good industry practice, there are circumstances where it might be appropriate for Revolut as an electronic money institute ('EMI') to take additional steps or make additional checks before processing a payment in order to help protect its customer from the possibility of financial harm from fraud. For example, if a customer made a payment request for an amount that was out of character given the normal use of an account, I'd expect Revolut to intervene and ask questions about the intended transaction before processing it and provide a suitable warning.

So – I looked at Miss M's complaint in the light of this.

*Refunds from other banks:*

I will address that first – as Miss M has made the argument that Revolut should refund the money as the other banks have done. But - we look at each case in the circumstances of what happened. I'd also note that the other two banks concerned - are signatories to the

Lending Standards Board Contingent Reimbursement Model Code (CRM Code). This code allows for refunds in cases of scams under certain criteria. But here – Revolut aren't signatories to the Code, and therefore we can't look at Miss M's complaint with the Code in mind.

Having explained that - I need to decide whether Revolut acted fairly and reasonably in their dealings with Miss M when she made the payment, or whether they should have done more than they did. I have considered the position carefully.

I looked at Revolut's evidence. Revolut say they matched the beneficiary set up by Miss M with the account holder at the recipient bank – but I think that of itself, this didn't help to protect Miss M.

Revolut intervened in the first payment of £980. Miss M had chosen the purpose of the payment as a 'safe account' transfer. This should've been a 'red flag' to Revolut – as there are few reasons why a customer would make a valid payment to a 'safe account'. They sent to Miss M a message which said: *"This transfer can be a scam. Our system identified this transfer as suspicious and put it to pending. Your transfer is riskier than 99.2% of all Revolut transfers"*.

I can see that before the payments were made, Miss M was asked to confirm whether she knew and trusted the beneficiary. The confirmation said *"Review transfer...do you know and trust this payee? If you're unsure, don't pay them, as we may not be able to get your money back....fraudsters can impersonate others...."*. Miss M then confirmed she knew and trusted the beneficiary and continued.

In the app, Miss M was then shown several stories to inform her about potential scams. The first two screens showed *"Victims lose millions every year"* and *"fraudsters are professionals"*. Miss M was then shown a screen headed *"what is the purpose of this payment?"* One option was *"tax authority request"*. But Miss M then chose "safe account scam" and not the real purpose. So – she didn't read the text on tax scams. And then – Miss M confirmed the payment.

Revolut have argued that as Miss M chose the wrong reason for the payment – then she is liable for the loss. But I don't think that's a reasonable argument in the circumstances of this case. Revolut themselves said the payment was riskier than 99.2% of all payments they see. And – a payment to a 'safe account' is usually typical of a scam, and this, added to Revolut's own risk analysis, amounted to a 'red flag'. And therefore, Revolut should've contacted Miss M to question her about what was going on. If they had, I think it's reasonable to assume the scam would've been uncovered and prevented.

We asked Miss M why she chose the 'safe account' option. She told us that the scammer coached her to do so. I think it's reasonable to say that had Revolut called Miss M, then this would've been revealed and the scam stopped.

The next payment of £900 went through without further checks. I asked Revolut about this second payment, as I wanted to know why it wasn't also stopped. They told us that because it was to the same payee as the first one, and Miss M had confirmed that could be made, Revolut considered the second payment to be a safe one. But – if Revolut had called Miss M about the first payment, and stopped the scam at that time, I'm persuaded that the second payment would also have been stopped.

I also noted that between 11 July 2022 and when the fraud took place on 31 October 2022 – the account was 'dormant' with no activity and a balance of only £10. So – I think it's reasonable to say that the payments of £980 and £900 were unusual for Miss M to make.

The two payments in question were preceded by transfers into the account – made by Miss M – of £990 and £900. And then, minutes later, the two payments of £980 and then £900 were made to the scammer. The account was drained of funds (except for £10) And – the payee was a new one, being set up by Miss M for the first time.

These two latter points of themselves, don't mean that Revolut should've intervened– because the amounts were low. But given the responses Miss M gave to Revolut's messages, there was enough going on with these payments for Revolut to have been concerned.

Therefore, I'm persuaded that Revolut should've intervened in the first payment, and had they done so, both payments would've not been made.

#### *Recovery:*

Firms such as Revolut have a responsibility to try to get funds back where a scam has taken place. I can see that Miss M contacted Revolut on 31 October 2022 at 12.13. Revolut contacted the beneficiary bank at 4am on 1 November 2022. I've seen the correspondence between Revolut and the recipient bank – and all the funds were withdrawn by 12.11 on 31 October 2022 – which was before Miss M contacted Revolut. So – there were no funds left to be returned.

Miss M has been the victim of a cruel scam. And in the circumstance of this complaint, I think Revolut should've intervened in the first payment and if they'd done so, the scam would've unravelled and both payments would've been prevented. Miss M told us that the money was transferred to her Revolut account from her bank current account. So – my provisional decision is that Revolut should refund £1,880, plus interest at 8% per annum simple from 31 October 2022 to the date of settlement.

#### *Responses to the provisional decision:*

Both Miss M and Revolut agreed with the provisional decision. I now need to make a final decision.

#### **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.

As both Miss M and Revolut agreed with the provisional decision, my final decision is in line with it. **(continued)**

## **My final decision**

I uphold this complaint. Revolut Ltd must:

- Refund £1,880, plus interest at 8% per annum simple from 31 October 2022 to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 21 August 2023.

Martin Lord  
**Ombudsman**