

The complaint

Mr W is unhappy that Revolut Ltd haven't refunded money he lost as a result of a scam.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

In early 2023 Mr W saw an advert for a merchant which mentioned investing as little as £250 and making good returns. Mr W completed a form and was contacted by someone from the merchant. After speaking with the merchant Mr W began investing with £250. Mr W also made payments towards this scam from an account he holds with a bank – I'll refer to here as G. Mr W took out some loans (one with G) before sending this money to Revolut and then on to the merchant. Mr W then made the following payments from his Revolut account;

Date	Time	Type of transaction	Amount
22 February 2023	10:52	Credit from Crypto exchange	£68.74
22 February 2023	11:18	Debit card to crypto exchange	£1,700
24 February 2023	22:12	Debit card to crypto exchange	£100
24 February 2023	23:18	Credit from Crypto exchange	£96.43
6 March 2023	19:26	Credit from Crypto exchange	£159.64
7 March 2023	17:36	Debit card to crypto exchange	£9,500
8 March 2023	17:45	Credit from Crypto exchange	£815.20
14 March 2023	21:19	Credit from Crypto exchange	£224.13
17 March 2023	11:34	Debit card to crypto exchange	£14,800
24 March 2023	20:52	Credit from Crypto exchange	£776.37
27 March 2023	13:58	Debit card to crypto exchange	£9,500
28 March 2023	14:46	Credit from Crypto exchange	£735.40
		Total	£35,600
		Total Credits	£2,875.91
		Total loss	£32,724.09

Mr W realised he had been scammed when he asked to make a withdrawal and he was asked to pay a £10,000 withdrawal fee. So, he contacted Revolut who declined his claim. Revolut said that Mr W authorised the payments to a genuine merchant that provided the services Mr W had paid for. Revolut added that it's for the same reason that a chargeback wouldn't have been successful for the payments. Mr W remained unhappy, so he brought his complaint to our service.

Our investigator felt the complaint should be upheld in part. He said that Revolut should've reasonably been suspicious by the time Mr W made the £9,500 on 7 March 2023. And if it had provided Mr W with a tailored warning this would've more than likely stopped the scam at that point. The investigator felt Mr W did contribute to his losses here because there were some negative reviews about the scam merchant before he started investing and that the returns appeared too good to be true – which Mr W had also admitted. The investigator felt

that Mr W should be liable for 50% of his loss after the £9,500 payment on 7 March. And Revolut should refund 25% of the disputed transactions with G also refunding 25%.

Revolut disagreed and asked for an Ombudsman's review. It said the £9,500 wasn't suspicious because Mr W had already sent and received funds from the crypto exchange. And this wasn't a case of Mr W sending funds via multiple transactions in quick succession. Revolut added that it didn't think Mr W would've listened to a tailored warning because he thought at the time he was investing with a financial advisor and was being guided by that advisor on how to make the payments.

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.

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

I've read and considered the whole file. But I'll concentrate my comments on what I think is relevant. If I don't mention any specific point, it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome.

In broad terms, the starting position at law is that an Electronic Money Institution ("EMI") such as Revolut is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.

And, as the Supreme Court has recently reiterated in *Philipp v Barclays Bank UK PLC*, subject to some limited exceptions banks have a contractual duty to make payments in compliance with the customer's instructions.

In that case, the Supreme Court considered the nature and extent of the contractual duties owed by banks to their customers when making payments. Among other things, it said, in summary:

- The starting position is that it is an implied term of any current account contract that, where a customer has authorised and instructed a bank to make a payment, it must carry out the instruction promptly. It is not for the bank to concern itself with the wisdom or risk of its customer's payment decisions.
- At paragraph 114 of the judgment the court noted that express terms of the current account contract may modify or alter that position. In *Philipp*, the contract permitted Barclays not to follow its consumer's instructions where it reasonably believed the payment instruction was the result of APP fraud; but the court said having the right to decline to carry out an instruction was not the same as being under a legal duty to do so.

In this case, the terms of Revolut's contract with Mr W modified the starting position described in *Philipp*, by – among other things – expressly requiring Revolut to refuse or delay a payment "*if legal or regulatory requirements prevent us from making the payment or mean that we need to carry out further checks*" (Section 20).

So Revolut was required by the terms of its contract to refuse payments in certain circumstances, including to comply with regulatory requirements such as the Financial Conduct Authority's Principle for Businesses 6, which required financial services firms to pay due regard to the interests of their customers and treat them fairly. I am satisfied that paying due regard to the interests of its customers and treating them fairly meant Revolut should have been on the look-out for the possibility of fraud and refused card payments in some circumstances to carry out further checks.

In practice Revolut did in some instances refuse or delay payments at the time where it suspected its customer might be at risk of falling victim to a scam.

I must also take into account that the basis on which I am required to decide complaints is broader than the simple application of contractual terms and the regulatory requirements referenced in those contractual terms. I must determine the complaint by reference to what is, in my opinion, fair and reasonable in all the circumstances of the case (DISP 3.6.1R) taking into account the considerations set out at DISP 3.6.4R.

Whilst the relevant regulations and law (including the law of contract) are both things I must take into account in deciding this complaint, I'm also obliged to take into account regulator's guidance and standards, relevant codes of practice and, where appropriate, what I consider to have been good industry practice at the relevant time: see DISP 3.6.4R. So, in addition to taking into account the legal position created by Revolut's standard contractual terms, I also must have regard to these other matters in reaching my decision.

Looking at what is fair and reasonable on the basis set out at DISP 3.6.4R, I consider that Revolut should in February 2023 have been on the look-out for the possibility of fraud and have taken additional steps, or made additional checks, before processing payments in some circumstances.

In reaching the view that Revolut should have been on the look-out for the possibility of fraud and have taken additional steps, or made additional checks, before processing payments in some circumstances, I am mindful that in practice all banks and EMI's like Revolut did in fact seek to take those steps, often by:

- using algorithms to identify transactions presenting an increased risk of fraud;¹
- requiring consumers to provide additional information about the purpose of transactions during the payment authorisation process;
- using the confirmation of payee system for authorised push payments;
- providing increasingly tailored and specific automated warnings, or in some circumstances human intervention, when an increased risk of fraud is identified.

For example, it is my understanding that in February 2023, Revolut, whereby if it identified a scam risk associated with a card payment through its automated systems, could (and sometimes did) initially decline to make that payment, in order to ask some additional questions (for example through its in-app chat).

I am also mindful that:

¹ For example, Revolut's website explains it launched an automated anti-fraud system in August 2018: https://www.revolut.com/news/revolut_unveils_new_fleet_of_machine_learning_technology_that_has_seen_a_fourfold_reduction_in_card_fraud_and_had_offers_from_banks/

- Electronic Money Institutions like Revolut are required to conduct their business with “due skill, care and diligence” (FCA Principle for Businesses 2), “integrity” (FCA Principle for Businesses 1) and a firm “must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems” (FCA Principle for Businesses 3)².
- Over the years, the FCA, and its predecessor the FSA, have published a series of publications setting out non-exhaustive examples of good and poor practice found when reviewing measures taken by firms to counter financial crime, including various iterations of the *“Financial crime: a guide for firms”*.
- Regulated firms are required to comply with legal and regulatory anti-money laundering and countering the financing of terrorism requirements. Those requirements include maintaining proportionate and risk-sensitive policies and procedures to identify, assess and manage money laundering risk – for example through customer due-diligence measures and the ongoing monitoring of the business relationship (including through the scrutiny of transactions undertaken throughout the course of the relationship). I do not suggest that Revolut ought to have had concerns about money laundering or financing terrorism here, but I nevertheless consider these requirements to be relevant to the consideration of Revolut’s obligation to monitor its customer’s accounts and scrutinise transactions.
- The October 2017, BSI Code³, which a number of banks and trade associations were involved in the development of, recommended firms look to identify and help prevent transactions – particularly unusual or out of character transactions – that could involve fraud or be the result of a scam. Not all firms signed the BSI Code (and Revolut was not a signatory), but the standards and expectations it referred to represented a fair articulation of what was, in my opinion, already good industry practice in October 2017 particularly around fraud prevention, and it remains a starting point for what I consider to be the minimum standards of good industry practice now (regardless of the fact the BSI was withdrawn in 2022).
- Revolut should also have been aware of the increase in multi-stage fraud, particularly involving cryptocurrency when considering the scams that its customers might become victim to. Multi-stage fraud involves money passing through more than one account under the consumer’s control before being sent to a fraudster. Our service has seen a significant increase in this type of fraud over the past few years – particularly where the immediate destination of funds is a cryptocurrency wallet held in the consumer’s own name. And, increasingly, we have seen the use of an EMI (like Revolut) as an intermediate step between a high street bank account and cryptocurrency wallet.
- The main card networks, Visa and Mastercard, don’t allow for a delay between receipt of a payment instruction and its acceptance: the card issuer has to choose straight away whether to accept or refuse the payment. They also place certain restrictions on their card issuers’ right to decline payment instructions. The essential effect of these restrictions is to prevent indiscriminate refusal of whole classes of transaction, such as by location. The network rules did not, however, prevent card

² Since 31 July 2023 under the FCA’s new Consumer Duty package of measures, banks and other regulated firms must act to deliver good outcomes for customers (Principle 12), but the circumstances of this complaint pre-date the Consumer Duty and so it does not apply.

³ BSI: PAS 17271: 2017” Protecting customers from financial harm as result of fraud or financial abuse”

issuers from declining particular payment instructions from a customer, based on a perceived risk of fraud that arose from that customer's pattern of usage. So it was open to Revolut to decline card payments where it suspected fraud, as indeed Revolut does in practice (see above).

Overall, taking into account relevant law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider it fair and reasonable in February 2023 that Revolut should:

- have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams;
- have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which firms are generally more familiar with than the average customer;
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment – (as in practice Revolut sometimes does); and
- have been mindful of – among other things – common scam scenarios, how the fraudulent practices are evolving (including for example the common use of multi-stage fraud by scammers, including the use of payments to cryptocurrency accounts as a step to defraud consumers) and the different risks these can present to consumers, when deciding whether to intervene.

Whilst I am required to take into account the matters set out at DISP 3.6.4R when deciding what is fair and reasonable, I am satisfied that to comply with the regulatory requirements that were in place in February 2023, Revolut should in any event have taken these steps.

Should Revolut have recognised that Mr W was at risk of financial harm from fraud?

It isn't in dispute that Mr W has fallen victim to a cruel scam here, nor that he authorised the payments he made by card to his cryptocurrency wallet (from where that cryptocurrency was subsequently transferred to the scammer).

By February and March 2023, when these transactions took place, firms like Revolut had been aware of the risk of multi-stage scams involving cryptocurrency for some time. Scams involving cryptocurrency have increased over time. The FCA and Action Fraud published warnings about cryptocurrency scams in mid-2018 and figures published by the latter show that losses suffered to cryptocurrency scams have continued to increase since. They reached record levels in 2022. During that time, cryptocurrency was typically allowed to be purchased through many high street banks with few restrictions.

By the end of 2022, however, many of the high street banks had taken steps to either limit their customer's ability to purchase cryptocurrency using their bank accounts or increase friction in relation to cryptocurrency related payments, owing to the elevated risk associated with such transactions. And by February and March 2023, when these payments took place, further restrictions were in place. This left a smaller number of payment service providers, including Revolut, that allowed customers to use their accounts to purchase cryptocurrency with few restrictions. These restrictions – and the reasons for them – would have been well known across the industry.

I recognise that, as a result of the actions of other payment service providers, many customers who wish to purchase cryptocurrency for legitimate purposes will be more likely to use the services of an EMI, such as Revolut. And I'm also mindful that a significant majority of cryptocurrency purchases made using a Revolut account will be legitimate and not related to any kind of fraud (as Revolut has told our service). However, our service has also seen numerous examples of consumers being directed by fraudsters to use Revolut accounts in order to facilitate the movement of the victim's money from their high street bank account to a cryptocurrency provider, a fact that Revolut is aware of.

So, taking into account all of the above I am satisfied that by the end of 2022, prior to the payments Mr W made in February 2023, Revolut ought fairly and reasonably to have recognised that its customers could be at an increased risk of fraud when using its services to purchase cryptocurrency, notwithstanding that the payment would often be made to a cryptocurrency wallet in the consumer's own name.

To be clear, I'm not suggesting as Revolut argues that, as a general principle (under the Consumer Duty or otherwise), Revolut should have more concern about payments being made to a customer's own account than those which are being made to third party payees. As I've set out in some detail above, it is the specific risk associated with cryptocurrency in February 2023 that, in some circumstances, should have caused Revolut to consider transactions to cryptocurrency providers as carrying an increased risk of fraud and the associated harm.

In those circumstances, as a matter of what I consider to have been fair and reasonable, good practice and to comply with regulatory requirements, Revolut should have had appropriate systems for making checks and delivering warnings before it processed such payments. And as I have explained Revolut was also required by the terms of its contract to refuse or delay payments where regulatory requirements meant it needed to carry out further checks. Taking all of the above into account, and in light of the increase in multi-stage fraud, particularly involving cryptocurrency, I don't think that the fact most of the payments in this case were going to an account held in Mr W's own name should have led Revolut to believe there wasn't a risk of fraud.

So I've gone onto consider, taking into account what Revolut knew about the payments, at what point, if any, it ought to have identified that Mr W might be at a heightened risk of fraud that merited its intervention.

By the time Mr W sent £9,500 on 7 March 2023 I think there was enough happening here that Revolut should've been suspicious. The payment size increased dramatically from the previous payments to the crypto exchange. And given what Revolut knew about the destination of the payment and the high value, I think that the circumstances should have led Revolut to consider that Mr W was at heightened risk of financial harm from fraud. In line with good industry practice and regulatory requirements, I am satisfied that it is fair and reasonable to conclude that Revolut should have warned its customer before this payment went ahead.

What kind of warning should Revolut have provided?

I've thought carefully about what a proportionate warning in light of the risk presented would be in these circumstances. In doing so, I've taken into account that many payments that look very similar to this one will be entirely genuine. I've given due consideration to Revolut's duty to make payments promptly, as well as what I consider to have been good industry practice at the time this payment was made.

Taking that into account, I think Revolut ought, when Mr W attempted to make the 7 March

Payment, knowing that the payment was going to a cryptocurrency provider, to have provided a warning (whether automated or in some other form) that was specifically about the risk of cryptocurrency scams, given how prevalent they had become by the end of 2022. In doing so, I recognise that it would be difficult for such a warning to cover off every permutation and variation of cryptocurrency scam, without significantly losing impact.

So, at this point in time, I think that such a warning should have addressed the key risks and features of the most common cryptocurrency scams – cryptocurrency investment scams. The warning Revolut ought fairly and reasonably to have provided should have highlighted, in clear and understandable terms, the key features of common cryptocurrency investment scams, for example referring to: an advertisement on social media, promoted by a celebrity or public figure; an ‘account manager’, ‘broker’ or ‘trader’ acting on their behalf; the use of remote access software and a small initial deposit which quickly increases in value.

I recognise that a warning of that kind could not have covered off all scenarios. But I think it would have been a proportionate way for Revolut to minimise the risk of financial harm to Mr W by covering the key features of scams affecting many customers but not imposing a level of friction disproportionate to the risk the payment presented.

I’ve thought carefully about whether a specific warning covering off the key features of cryptocurrency investment scams would have likely prevented any further loss in this case. And on the balance of probabilities, I think it would have. There were several key hallmarks of common cryptocurrency investment scams present in the circumstances of Mr W’s payments, such as being assisted by a broker via screen sharing software and a small deposit which quickly increases in value.

I’ve found no persuasive evidence to suggest that Mr W was asked, or agreed to, disregard any warning provided by Revolut. I’ve also seen no indication that Mr W expressed mistrust of Revolut or financial firms in general. Neither do I think that the conversation demonstrates a closeness of relationship that Revolut would have found difficult to counter through a warning. I understand that Mr W did not agree to the fraudsters demands for him to pay fees on his withdrawal and, it was his difficulty in withdrawing money that led him to realising he had been scammed.

Therefore, on the balance of probabilities, had Revolut provided Mr W with an impactful warning that gave details about cryptocurrency investment scams and how he could protect himself from the risk of fraud, I believe it would have resonated with him. He could have paused and looked more closely into this before proceeding, as well as making further enquiries into cryptocurrency scams. I’m satisfied that a timely warning to Mr W from Revolut would very likely have caused him to think again about continuing with his investment, complete some further research into cryptocurrency investments and unregulated brokers revealing the scam and preventing his further losses.

Is it fair and reasonable for Revolut to be held responsible for Mr W’s loss?

In reaching my decision about what is fair and reasonable, I have taken into account that Mr W paid money from G to his Revolut account before forwarding it to an account in his own name at the crypto exchange, rather than directly to the fraudster, so he remained in control of his money after he made the payments, and there were further steps before the money was lost to the scammer.

However, for the reasons I have set out above, I am satisfied that it would be fair to hold Revolut partly responsible for Mr W’s losses from the 7 March Payment, subject to a deduction for Mr W’s own contribution towards his loss. As I have explained, the potential for

multi-stage scams, particularly those involving cryptocurrency, ought to have been well known to Revolut. And as a matter of good practice, I consider it fair and reasonable that Revolut should have been on the look-out for payments presenting an additional scam risk including those involving multi-stage scams.

But as I've set out in some detail above, I think that Revolut still should have recognised that Mr W might have been at risk of financial harm from fraud when they made 7 March Payment, and in those circumstances it should have declined the payment and made further enquiries. If it had taken those steps, I am satisfied it would have prevented the losses Mr W suffered. The fact that the money used to fund the scam came from elsewhere and/or wasn't lost at the point it was transferred to Mr W's own account does not alter that fact and I think Revolut can fairly be held responsible for his loss in such circumstances. I don't think there is any point of law or principle that says that a complaint should only be considered against either the firm that is the origin of the funds or the point of loss.

Should Mr W bear any responsibility for their losses?

In considering this point, I've taken into account what the law says about contributory negligence as well as what's fair and reasonable in the circumstances of this complaint.

I note Mr W said he did some research into the broker but he didn't see the negative reviews online at the time about people not being able to withdraw their money and subsequently losing their investment. I'm satisfied if he had this would've combined with the fact that he had some concerns with the returns being too good to be true and not falling for the scam.

As a result of the above I've concluded, on balance, that Revolut can fairly reduce the amount it pays to Mr W because of his role in what happened.

Weighing the fault that I've found on both sides, I think a fair deduction is 50%.

Could Revolut have done anything else to recover Mr W's money?

I've thought about whether Revolut did enough to attempt to recover the money Mr W lost, as there are some instances where debit card transactions can be refunded through making a chargeback claim.

A chargeback wouldn't have been successful for the debit card payments to the account in Mr W name at the genuine crypto exchange, as Mr W was able to move the money onto the scammers. So, Mr W duly received the service he paid for on his debit card. The money was subsequently lost from his other account when it was moved by the scammers. So, he couldn't claim that he didn't receive the goods or services paid for from his Revolut account to the crypto exchange.

As a result, I don't think Revolut have acted unreasonably by failing to pursue a chargeback claim or try and recover Mr W's money here.

Putting things right

For the reasons I've explained above I believe Mr W is liable for 50% of his loss. Mr W also raised a complaint against G where the funds were sent from, and G has agreed to split the liability between itself, Mr W and Revolut.

Because I'm satisfied Mr W should be held liable for 50% of his loss, this means Revolut and G share 25% liability for the remaining 50%.

From the 7 March payment Mr W lost £33,800 minus £2,551.10 in refunds to his Revolut account. The total loss is therefore £31,249 and Revolut must refund 25% of that amount (£7,812.25) and add 8% simple interest per year to that amount from the date of the payments to the date of settlement.

My final decision

For the reasons given above, I uphold in part this complaint and direct Revolut Ltd to pay Mr W:

- £7,812.25
- 8% simple interest per year on that amount from the date of the payments to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 20 November 2024.

Mark Dobson
Ombudsman