

The complaint

Mr M complains that Revolut Ltd won't refund a payment he says he made and lost to a scam.

What happened

The background to this complaint is well-known to both parties, so I won't repeat it in detail here. But in summary and based on the submissions of both parties, I understand it to be as follows.

Mr M complains that on 24 July 2023 he made a debit card payment of £1,980 from his Revolut account to what he thought was a legitimate payment recovery company.

Mr M says that in July 2023 he was contacted by a company that said it could recover money he lost trading some years ago. Mr M said he had used the company before, so trusted the person when they called him.

Mr M says he was told to open a Revolut account and then to transfer £1,980 to a cryptocurrency exchange, before the money was sent on to the scammer. When he lost all contact, he realised he had been scammed.

Revolut looked into the complaint but didn't uphold it. It didn't think it had done anything wrong by allowing the payment to go through. So, Mr M brought his complaint to our service.

Our investigator looked into the complaint but also didn't uphold it. Our investigator didn't find the payment was suspicious or unusual enough to trigger any of Revolut's automatic fraud detection systems. They also didn't find Revolut had failed to recover the money when Mr M reported it, as the payment was made by debit card and had gone to a legitimate crypto wallet in Mr M's name. So, our investigator said there were no grounds to raise a chargeback.

Mr M responded to the investigator's view and said that he didn't expect Revolut to stop the payment from being made, but he did think Revolut hindered recovery of the money by not raising a chargeback at the point he reported the loss.

As Mr M didn't agree with the investigator's view, the complaint's been passed to me for 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.

Having done so, I've come to the same outcome as the investigator for largely the same reasons. I'll explain why.

I'm very aware that I've summarised this complaint briefly, in less detail than has been provided, and in my own words. No discourtesy is intended by this. Instead, I've focussed on what I think is the heart of the matter here. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is the right outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

Mr M has said his payment should be treated as unauthorised because he says he didn't authorise the transaction of his own free will but instead only because he was tricked by a fraudster. But there's no question Mr M consented to the payment; it's just he was tricked by the fraudster into expecting something in return that then didn't materialise. So, although Mr M didn't intend to lose this money to a scam, I'm satisfied that he still authorised the payment under The Payment Services Regulations.

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.

But, taking into account relevant law, regulator's 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 July 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 including in relation to card payments);
- 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.

But here, having considered the amount of money sent to the scammer, I agree with the investigator when he said that this payment wouldn't look sufficiently out of character given its size and wouldn't have triggered Revolut's payment checking process.

Since 1 January 2023 I'd expect Revolut to have attached greater risk to crypto-related payments like this but still, given that not all crypto-related payments are made as a result of a scam, and given the amount the payment was for, this still doesn't persuade me that Revolut reasonably ought to have been expected to have intervened.

I've also checked the official organisations that publish warnings about merchants that operate in the UK and abroad, to check if there were any warnings about who Mr M paid that ought to have triggered Revolut's fraud prevention systems. I've searched the Investor Alerts

Portal of the International Organization of Securities Commissions (“IOSCO”), the international body that brings together the world's securities regulators. And the FCA (as the UK regulator) also has its own warning list, which is in place to share alerts and insight about merchants that have been identified as potentially being fraudulent or at risk of scamming individuals.

There were no such warnings about the merchant Mr M paid. So, this is another reason why I don't think the payment ought to have been automatically stopped or triggered any warnings by Revolut.

Recovery

After the payment was made, I couldn't reasonably expect Revolut to have done anything further until Mr M told it that he had been scammed.

Although Mr M has said that Revolut should've stopped the payment immediately, once the card payment was authorised and executed (even if it was still showing as 'pending') the only way to potentially recover it was chargeback. Mr M also made this payment to a legitimate crypto exchange account in his name. So, Revolut could only have tried to recover it from Mr M's own crypto account.

After the debit card payment was made, the only potential avenue for recovery of the payment would have been through the chargeback scheme. The chargeback scheme is a voluntary scheme set up to resolve card payment disputes between merchants and cardholders. Revolut is bound by the card scheme provider's chargeback rules. Whilst there is no 'right' to a chargeback, I consider it to be good practice that a chargeback be raised if there is a reasonable chance of it succeeding. But a chargeback can only be made within the scheme rules, meaning there are only limited grounds and limited forms of evidence that will be accepted for a chargeback to be considered valid, and potentially succeed. Time limits also apply. Unfortunately, the chargeback rules don't cover scams.

In the circumstances of this complaint, I'm satisfied that a claim would've unlikely been successful. Mr M paid a legitimate crypto exchange, and he would have received a service from the crypto exchange. Mr M's disagreement is with the scammer, not the crypto exchange. And so, it would not have been possible for Revolut to process a chargeback claim against the scammer, as Mr M did not pay them directly.

So, I don't think Mr M had any reasonable prospect of success if Revolut were to have processed a chargeback claim against the crypto exchange. This means I can't say that Revolut acted unfairly when it considered Mr M's chargeback claim.

Mr M feels that Revolut should refund the money he lost due to the scam. I understand that this will have been frustrating for him, but I've thought carefully about everything that has happened, and with all the circumstances of this complaint in mind I don't think Revolut needs to pay Mr M any compensation. I realise this means Mr M is out of pocket and I'm really sorry he's lost this money. However, for the reasons I've explained, I don't think I can reasonably uphold this complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 23 November 2024.

Tom Wagstaff
Ombudsman