

The complaint

A company which I will refer to as 'T' complains that Revolut Ltd would not reimburse the money which was taken out of their account by fraudsters.

What happened

The background to the complaint is known to both parties and so I won't repeat it at length here.

Briefly, in late January 2023, Revolut blocked the debit card issued to the director of T (who I will refer to as 'M') after it suspected that the card was being used fraudulently. M confirmed that he didn't make the suspected payments. Following this, his card was cancelled and a new one issued. There was a second card on the account issued to T's accountant (who I will refer to as 'J'). As there was no evidence of an issue with J's card, no action was taken on it.

A week or so later, J's card was added to a digital wallet on a mobile phone. The following day two large, identical card payments were attempted. Revolut told us that these were contactless payments at a 'physical' store and performed via the digital wallet to which the card was added the previous day. These were declined as there was insufficient balance on T's account. However, soon after three further card payments of lesser values went through via the digital wallet from two different shops. When an attempt was made to put through the fourth payment from another shop, the card was declined due to suspicious activity.

That afternoon M received a call from someone purportedly from Revolut. The caller said that there had been unusual transactions on the account through J's debit card. M says that he was busy at that time and as the transactions related to J's card, he asked the caller to contact J.

J says that she received a call, but she too couldn't talk properly. Later that evening M was contacted again. M says that at that point he was able to log in and check the business account. He noticed several transactions had taken place using J's card. He says that the caller asked him to download a 'case file' which failed and at that time he thinks he was asked to download a program called AnyDesk. He then discussed the security of the account with the caller.

M says this happened at the start of the month when T needed to pay salaries and previous month end bills. But as there was no balance, he asked the caller (who he thought was Revolut's member of staff) whether it was safe to transfer funds into the account to enable these payments happen. He was assured that the account was safe and J's card had been blocked. So, he moved £30,000 from an account with another bank so these payments could be made. M says he watched as this amount was immediately transferred out of the account and at that point, he realised that neither he nor J had been speaking to Revolut.

M says he ended the call and tried to contact Revolut but there was no number for him to call. He had to use a live chat facility. Even this took a while to establish a contact with

Revolut staff. But they refused to discuss the fraud with him unless he reported it to the local authority first. M says he reported the matter to action fraud and passed the details to Revolut the following morning.

M wants all of the fraudulent transactions refunded to the company account. He says that no one else other than he and J had access to the company's account and neither of them authorised any of these payments.

Revolut said that it wasn't at fault. With regard to the card payments Revolut said that the security layers to approve such transactions were in place and all the adequate warnings were sent before the transactions were authorised. Revolut says the company wasn't therefore eligible for a refund, but T could submit chargeback requests at which time it would initiate the disputes with each merchant.

One of our investigators considered the complaint and concluded that it should be upheld. They said, in summary:

- Considering all the evidence, on balance, it couldn't be concluded that T (or their representatives) authorised the transactions.
- Irrespective of any messages being sent when the card was added, the first attempted transaction was so out of line with any previous usage of the cards, especially the amount. The amount was more than the total card spend in the previous four months and many times higher than any previous single transaction. So, the card should have been blocked at this point and Revolut should have contacted the director or the card holder. Had that happened it is very likely that none of the subsequent losses would have occurred.
- The subsequent card payments happened in very quick succession in the same shop and that also should have raised further flags before the card was finally stopped at another store. These card payments were not compatible with the type of T's business. In addition, despite the card being blocked, there is no evidence of any attempt by Revolut to speak to the users to verify the situation. Had Revolut contacted the account users at this stage it is likely that subsequent transfers would not have been made.
- In relation to the transfers, there was a small payment to J's account which was strange but the other two payments did not match any previous usage of the account.
- The £30,000 was paid into another account with Revolut. This account had been open for nearly six months and had received one credit of £12. The bulk of this had been withdrawn in one debit card payment but the only other entries were 15 declined card payments. Thus, there was already some suspicious activity on the account. And the incoming payment of £30,000 was again out of character with the previous account usage that it should have been flagged and questions asked. In addition, within 40 minutes of the money coming in, it was taken out through multiple card payments to a crypto currency exchange which was highly suspicious.
- Further, £13,500 of these payments seem to have been made after M first tried to contact Revolut via its chat service. Having reviewed this chat, Revolut was very slow to react to the warnings that fraud had occurred. Prompt action by Revolut may have stopped much of this amount being withdrawn.
- In summary, there is no adequate evidence that T authorised any of the transactions. Further, there is evidence of missed opportunities by Revolut to question what was going

on and stop the loss to T. So, Revolut should put things right by refunding the disputed transactions (both the card payments and faster payments) excluding the £89 transferred to J's personal account as this is recoverable by T. In addition, it should pay interest. It should also pay T £300 for the trouble and inconvenience caused to T.

T accepted the investigator's conclusions. Revolut did not respond, despite reminders. So, the complaint has been referred to me for a 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 agree with the conclusions reached by the investigator essentially for the same reasons.

It is difficult to know exactly what happened when the disputed payments occurred. For example, it is not entirely clear how the fraudsters were able to attach J's card to a new device. Revolut says it doesn't know for certain which device the card was added to. It cannot also evidence the device to which the one-time passcodes were sent. As such the passcodes may well have gone to the fraudster. That would explain J's assertion that she did not see any passcode or warning message. Revolut also says that no 'Token proof' is available as evidence because it is not able pull that information for transactions older than six months. However, it has acknowledged that the name to which the device was added does not suggest any affinity with any of the company's users.

Having considered the available submissions, on balance, I think that it was the fraudster who attached J's card to a device and then carried out the card transactions from the device without J's knowledge. As such, I consider that the card payments were not authorised by T. It is also likely that they intercepted the messages sent by Revolut.

As regards the transfers, it is again unclear how the fraudsters were able to access the account and instigate the transfers. Revolut says that the transactions were authorised with 'SMS OTP' but here again it is unable to show us exactly what message was sent and the contents. It says that the transactions were performed from a chrome browser that shared the same IP location which had previously been used by other recognised devices, but I don't think this is sufficient to show that J or M carried out the transactions.

Ultimately it is for Revolut to show to us that the transactions were authorised, and if not authorised that its customer acted grossly negligently. I consider they have not demonstrated that in this instance.

But even if it was the case that the transfers were authorised, I agree with the investigator that Revolut lost multiple opportunities to prevent the financial loss to T.

Only a week or so earlier there had been fraudulent attempts on the account which led to Revolut suspending M's card. Then J's card was added to a new, unknown device and a large out of character card payment was attempted twice through the newly added device. The attempted payments were declined due to lack of balance on the account, something which M or J would likely have known had they been attempting to make the payments. It was also the case, as pointed out by the investigator, that the attempted payments were highly unusual compared to the normal usage of the cards. So, it is reasonable to expect

that Revolut intervened at this point to check that it was their customer who was attempting to make the payments.

Following the declined payments, two card payments in quick succession were attempted from another retail store soon after. Whilst the payment amounts were much lower compared to the previous declined payments, one of them was for about £3,000 which was high compared to the normal card usage.

The fraudster then attempted to make a payment from another retail store. This time Revolut blocked the card. However, there is no evidence of any attempt by it to contact the card owner to verify the payment. Had it done so, the fraud would have come to light thereby preventing further payments. Thus, Revolut missed another opportunity here.

This was then followed by a transfer of £11,000 out of the account. I have reviewed T's account statement for a period of six months which I think is sufficient period for me to understand the normal activity on the account. There were just two payments of similar size but they were made to an existing payee (HMRC). Otherwise, payment of this size and that too to a new payee was highly unusual to the normal account activity. In addition, the payment wiped the balance on the account when typically, a healthy balance was always maintained on the account. This too could be an indicator the account was at risk of fraud. And this happened on the back of all unusual activities I noted above. So, I consider it reasonable to expect that Revolut intervened here when the payment was attempted, to check with T that it was they who were attempting to make the payments. Had it done so, the fraud would have come to light thereby preventing further payments. Thus, Revolut missed another opportunity here.

Then £30,000 came into the account and was immediately taken out. This was paid into another customer's account with Revolut. As noted by the investigator there was very little activity on that account since it was opened and there were 15 declined card payments prior to this incoming payment. Thus, there was already some suspicious activity on the account. In addition, this transfer was out of character with the previous account usage. The money was then withdrawn swiftly through multiple card payments to a cryptocurrency exchange.

I agree with the investigator that all of this too was suspicious and Revolut could have intervened to verify the activities with its customer. I acknowledge that it is difficult to know for certain what would have happened had it intervened and questioned its customer about the source of incoming payment. However, on balance, I am not persuaded that its customer would have been able to convince Revolut about the receipt of T's funds. It was a large receipt with hardly any activity on the accounts prior to it that would have substantiated the running of a business. Further, given that the sender of the funds was also a customer of Revolut, it would have been easy for it to verify any story given by the recipient. Thus, I think Revolut missed another opportunity here to help prevent the financial loss to T.

Taking all of the above into account, I consider it fair that Revolut reimburses the loss incurred by T, together with interest. As I understand it, there were three card payments totalling £3,310.58 and transfers totalling £41,000.10 excluding the £89 payment to J. Revolut should therefore reimburse £44,310.68 less any sum recovered and returned to T.

The funds were lost from a business current account, which earned little interest. But the relevant question is the opportunity cost of the lost funds to T. In this case, I cannot be certain about the cost to T of being deprived of the money because it might have used the funds in a variety of ways. It is however clear to see that this was a large sum of money, and the loss has had a big impact on the company. In the circumstances, without any compelling reason to depart from our usual approach, I consider it fair and reasonable that Revolut pays

T simple interest at 8% p.a. on the above amount. Interest should be paid from the date of payments to the date of settlement.

I also agree that T was put to some inconvenience in relation to this matter. Initially there was some difficulty in reaching out to Revolut. Then Revolut asked M to go and first raise the matter with the local authority before they would look into. I can see that M was further inconvenienced by it. I also see that M and J had to engage via multiple chats with Revolut in order to try and resolve the matter and retrieve the funds transferred out. A staff member of Revolut also unhelpfully asked T to raise a chargeback in relation to the card payments when it seems clear that T had been a victim of fraud. The investigator has recommended that Revolut pay £300 for all the inconvenience caused. I agree that it is fair and reasonable in all the circumstances of the case.

My final decision

My final decision is that I uphold this complaint. In full and final settlement of it, Revolut Ltd should pay T:

- £44,310.68 less any sum recovered and returned to T.
- Interest on the above at 8% simple p.a. from the date of payments to the date of settlement
- £300 for the inconvenience this matter has caused to T.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 19 April 2024.

Raj Varadarajan
Ombudsman