

The complaint

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

Mr S is being represented by a claims management company in this complaint.

What happened

The detailed background to this complaint is well known to both parties and has been previously set out by the investigator in their assessment. So, I won't repeat it again here. Instead, I'll focus on giving my reasons for my decision.

The complaint concerns three transactions totalling approximately €12,500 which Mr S made from his Revolut account over a period of nine days in July 2023. These were made in connection with an investment opportunity with a firm "C" which Mr S was introduced to by a friend he's known for a number of years, who had been investing in C for a couple of months and had made returns which they were able to withdraw. Mr S contacted the representative that his friend had been using.

Under this individual's instructions, Mr S initially made deposits into his investment account from his account with a different business. But when the transactions wouldn't go through, Mr S followed the representative's advice and opened a Revolut account to facilitate the deposits. He first transferred funds from his account with the other business into his Revolut account. This money was then sent to a cryptocurrency platform for conversion into cryptocurrency. Once converted, the cryptocurrency was sent on to cryptocurrency wallets as instructed by C's representative. Mr S thought the cryptocurrency was being deposited into his investment account for trading. He subsequently discovered he'd been scammed when he repeatedly attempted to make a withdrawal but was unable to do so.

Mr S received a credit of €1,345 as part of the scam. So, the total loss being claimed is just over €11,100.

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 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, regulators rules and guidance, relevant codes of practice and what I consider to be good industry practice at the time, I consider it fair and reasonable that in July 2023 – at the time of these transactions – 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,
- 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.

EMIs are set up with the purpose of sending and receiving money and the type of payments they're generally used for tends to be somewhat different to banks and building societies. Often, the payments will be for larger sums. Where there's no previous account history, as was the case here, what should reasonably strike Revolut as concerning for a first payment isn't down solely to the transaction amount involved.

The very first disputed transaction – €5,778.57 on 18 July – that Mr S authorised flagged on Revolut's fraud detection systems and it put it on hold. After notifying him that the transfer was identified as highly unusual and may be a scam, Revolut asked Mr S to select the payment purpose from a list of options. It has provided a sample screenshot of the options it says Mr S would have seen. Both 'investment' and 'cryptocurrency' are included on the list which provides eight different options. Revolut states Mr S selected 'investment' and it provided a warning covering the typical features of investment scams over a series of screens which couldn't be skipped. Mr S was then presented with the choice to cancel or go ahead with the payment. He chose to go ahead.

The same thing happened when Mr S authorised the second disputed transaction to the same payee – €4,000 on 19 July. He selected investment and chose to proceed after being provided a written warning about investment scams. Revolut has confirmed the last transaction – €2,708 on 26 July also to the same payee – didn't trigger an alert on its systems.

As Revolut intervened at the time of the first transaction, I've considered whether the intervention was proportionate under the circumstances at the time. These were transfers and not card payments, where Revolut would reasonably be expected to have some information about the merchant requesting the payment (such as the nature of their business, etc.). The transfers were also international payments. Revolut couldn't reasonably have known that they were identifiably cryptocurrency related based on the IBAN and SWIFT code Mr S provided.

In the circumstances, I think asking Mr S to confirm the payment purpose and providing a written warning covering the typical features of the scam identified based on his response was a proportionate response. Mr S informed Revolut he was sending money in connection with an investment, and the warning he was shown covered the most common features of scams involving investments such as being contacted or seeing an advertisement online which offers convincing opportunity to make easy money; profits being guaranteed;

investments being arranged over social media and firms not being registered with a regulator, etc.

I recognise that these common scenarios didn't resonate with Mr S. But in the circumstances of what happened here, I find that Revolut sufficiently intervened. The same goes for the next transaction. As for the final transaction, given that the beneficiary had become an established payee by that point, I wouldn't have expected Revolut to have been concerned and taken additional steps.

Mr S's representative states that a new account being credited with large sums of money on the day it's opened, before it is sent for investment purposes, isn't normal account activity for any new account. But this wasn't an account with a high street bank which is more likely to be used for traditional day-to-day spending. It isn't unusual for an individual, wanting to transfer large sums of money abroad in a different currency, to open an account with an EMI which may offer competitive exchange rates. Given the very purpose the account has been opened for, I don't consider it unusual for the transfer to be made immediately either. I would add that at the time of opening the account, Mr S provided 'stocks, transfers, crypto' as the purpose for the account. So, his account was being used for the purpose declared.

I can see that Mr S's representative has shared a copy of a final decision one of our ombudsmen has issued on a different case which has been upheld. The representative says that the decision shows that an EMI should question payments and not provide a generic warning when such amounts are sent. As the representative knows (or ought to know), this service decides each case on its own merits. The circumstances in each case can vary. My role is to decide the complaint before me, not comment on why another ombudsman made the finding that they did. I would just point out that having briefly read the other decision, it is evident that the circumstances in that case – such as the scam type and account activity – are different to Mr S's. Considering the wider circumstances, I'm not persuaded that Revolut's intervention ought to have gone beyond the provision of a written warning.

It's also worth noting that Mr S has said this investment was introduced to him by a long-term friend who had already been dealing with C for a few months prior to his interest piquing. I also understand that Mr S considered this to be a tried and tested opportunity by someone he trusted. So, even if I were to make a finding that there ought to have been a direct intervention that went beyond a written warning (just to be clear that isn't my finding here), I'm not persuaded that such an intervention would likely have prevented Mr S's loss. He had been personally recommended this investment opportunity by a trusted friend. The individual he had been dealing with at C was also assisting his friend. And reading his chat correspondence with that individual, I can see that Mr S had already been coached not to mention cryptocurrency if the transactions were questioned.

I've also thought about whether Revolut could have done more to recover the funds once it became aware of the situation. Given Mr S had legitimately bought cryptocurrency from sellers who were unlikely to have been connected to the scam, before sending it on to wallets in control of the third party, it's unlikely recovery would have been successful given the service was provided (namely, exchange of fiat money into cryptocurrency).

In summary, I know that Mr S will be disappointed with this outcome. Not least because the matter has been ongoing for some time. I fully acknowledge that there's a considerable amount of money involved here, and that this incident has impacted his wellbeing. Despite my natural sympathy for the situation in which he finds himself, for the reasons given, it wouldn't be fair of me to hold Revolut responsible for his loss.

My final decision

For the reasons given, 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 S to accept or reject my decision before 4 September 2024.

Gagandeep Singh
Ombudsman