

The complaint

Mrs K complains Revolut Ltd won't refund the money she lost to a scam.

What happened

Ms K met an individual on social media who introduced her to a cryptocurrency trading platform, "H". Unfortunately, this was a scam.

The scammer directed Mrs K to set up an account with Revolut. In June 2023, Mrs K sent just under £1,000 to a cryptocurrency wallet. I understand this payment was part of the scam, although it appears Revolut successfully charged back the payment from the (genuine) merchant Mrs K paid directly after the scam was reported. She also received a further credit/return via this merchant.

Mrs K has also reported a payment of £20,005.01 to her own bank account in June 2023 as part of the scam. However, this appears to have been funded by a payment into the account, on the same day, from her bank account; so it appears to be more a return of funds. Our service has also looked into a separate complaint from Mrs K about the funds sent on to the scam from her bank (although I have considered this payment as relevant context).

In July 2023, Mrs K sent funds on to what appeared to be another account in her name - which I understand was a different cryptocurrency wallet provider ("T"). Again, I understand these funds (totalling £65,000, accounting for a reverted payment) were sent on to the scam.

Mrs K also made payments from her existing bank account to the scam up to September 2023. She says she was alerted to the scam when T reached out to warn her. Supported by a professional representative, she complained to Revolut that it should have done more to protect her when she made the scam payments.

Revolut didn't agree to refund Mrs K, so she referred the matter to our service. Our investigator didn't uphold the complaint. He found Revolut had intervened on some of the scam payments. But, while he thought Revolut should have gone further, he wasn't persuaded doing so would have uncovered the scam.

That was because he didn't think Mrs K had been open to divulging what she was really doing, nor that she was open to warnings from Revolut. He noted the payment reasons she selected for the payments were goods and services, rather than selecting the option for investments. Additionally, when Mrs K's bank had spoken to her directly about some payments sent to the scam, she also hadn't divulged what she was doing – and wanted to proceed even when told about a scam risk associated with the recipient.

Mrs K appealed the investigator's outcome. She said Revolut's intervention was poor. If it had responded proportionately, such as by asking open-ended questions about what she was doing, the scam would have been uncovered – as Revolut should have known not to take her responses, and the payment reasons she selected, at face value.

The case was then passed to me to decide. I asked Mrs K for further details of the interaction with T which alerted her to the scam – as it appeared this was *prior* to some of the scam payments (sent from her bank account, rather than Revolut). I explained this further suggested Revolut would not have been able to deter her from proceeding.

While the full interaction I requested has not been provided, I am satisfied I have received enough information to proceed. That is because I can see T told Mrs K she appeared to have fallen victim to a scam – and that she went on to make further payments to the scam.

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 decided not to uphold it. I'll explain why.

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 have been good industry practice at the time, I consider it fair and reasonable that, by the time of the scam, 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.

While I think Revolut ought to have recognised Mrs K was at heightened risk of financial harm from fraud when making some of these payments, and should have done more in response to this, I don't think any proportionate intervention by Revolut would have prevented her loss. I'll explain why.

For several of the payments, Revolut displayed some in-app warnings. It also asked her some questions via its in-app chat. But Mrs K selected that she was purchasing goods or services, rather than selecting the option for investments – which I think better matched what she understood she was doing.

That meant the warnings Mrs K was shown, and the questions she was asked, were geared towards different types of scams. Thereby impeding Revolut's ability to understand, and warn Mrs K, of the true scam risk. As the payment information showed these payments to be payments to other accounts in Mrs K's name (to her bank account, and to her account with T – held with a regulated payment service provider who provide accounts to a range of clients), it was reliant on Mrs K's input about the payment purpose to do this.

I don't think Revolut did enough to protect Mrs K given the risk some of these payments presented – given the amounts being sent. But I do consider it relevant, when determining whether proportionate intervention would have succeeded, that Mrs K wasn't forthcoming with Revolut about what she was doing in response to the enquiries it did make.

This is compounded by the information I have seen regarding the contact Mrs K had with her bank when using that account to send funds to the scam (via payments to an international recipient; her account with T; and to other wallets where the payment information meant it was apparent the payments were connected to cryptocurrency).

For those payments where the cryptocurrency link wasn't apparent, Mrs K falsely claimed to be shopping and buying designer goods. Even when the cryptocurrency link was clear, she provided incorrect information – seemingly to make the activity appear less risky. She claimed she had been investing in cryptocurrency, and had held the wallets, for several years. Whereas when submitting her complaint, Mrs K told us she had never invested in or purchased cryptocurrency before.

It is well established that consumers are often coached into giving cover stories as part of a scam – to avoid the risk of the fraud being uncovered. The fact a consumer wasn't honest about what they were doing does not, in and of itself, mean their complaint shouldn't succeed. That depends on whether we think the firm ought to have seen through the cover story – and whether it ultimately would have been able to uncover the scam, and successfully warn and dissuade the consumer from proceeding.

Given what Revolut would have been able to see about the payments, and how Mrs K responded to her bank, I'm not persuaded Revolut would have succeeded in establishing what she was actually doing if it had questioned her further. It's unclear it would have been able to identify the payments were linked to cryptocurrency. Even if it had, it's unclear she would have disclosed the full nature of what she was doing – namely that she was investing based on guidance from someone she met on social media, rather than acting independently and having prior investment experience. As the transfers were going to Mrs K's own wallets, Revolut wouldn't have been able to verify whether the funds would be moved on from there.

So, had Revolut intervened further, it's unclear to me it would have been able to gauge the true fraud risk based on her responses. But even if had (for example) established there was a cryptocurrency link, and therefore have provided relevant warnings to Mrs K about the risk and features of these types of scams, I'm not persuaded this would have dissuaded her.

This is because I can see T told Mrs K not to send further funds to H (the scam platform) in late August 2023. It explained no legitimate platform would require her to pay "10% of the value" to release her funds. It said this appeared to be a form of investment scam. It returned her remaining balance and "strongly" advised her to report the matter to the police.

Despite this stark warning, Mrs K continued to send funds to the scam using different wallets. Her bank also warned her, when paying one of these wallets, that it had identified a scam risk – explaining lots of its customers who had paid the recipient had been the victim of fraud. Mrs K was still adamant she wanted to continue.

As Mrs K continued paying – and attempting to pay – following the stark and relevant warnings she had received that this appeared to be a scam, I'm not persuaded that she would have heeded further warnings from Revolut throughout the course of these payments. So, while I think Revolut's actions fell short here, I'm not persuaded these failings caused or contributed to her loss.

I also don't think Revolut could have done more to recover the funds. It appears it did manage to successfully recover the first scam payment – even though Mrs K had already received what appears to be a return via this merchant, meaning she received more back from them than she paid. The other funds were sent on to accounts Mrs K held, so any money lost to the scam wasn't recoverable by Revolut from the account paid.

I do appreciate Mrs K has lost a significant amount to a sophisticated scam. I'm also aware of the tactics and explanations scammers use to persuade consumers to proceed, and/or to provide cover stories if questioned about the payments. Here, while I agree Revolut should have done more to protect Mrs K, I'm not persuaded this would have succeeded in preventing her fraudulent losses. I therefore don't consider it fair to direct Revolut to refund her.

My final decision

For the reasons given above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 16 August 2024.

Rachel Loughlin
Ombudsman