

The complaint

Mr S complains that Revolut Ltd (“Revolut”) has failed to refund the money he lost to a scam.

What happened

The details of this complaint are well known to both parties, so I will not repeat everything again here. Instead, I will focus on giving the reasons for my decision. But in summary, Mr S sent over £95,000 via a number bank transfers, between January 2021 and February 2021, to a company purporting to be a clothing firm which I will call B. Mr S lent funds to B in order for it to fulfil contracts with well-known retailers. The funds would then be returned to him with profits after the orders were fulfilled.

At first B paid Mr S some of the funds that he was owed but eventually B said that it could no longer pay any further as its bank accounts were blocked. B then stopped responding to messages. Mr S then found out that the contracts with the retailers were fake and that B was a scam.

Mr S raised a complaint with Revolut as he believed that it should have stopped these payments. He therefore requested that Revolut refund him. Revolut declined to do this.

One of our investigators looked into this matter and they did not think that Revolut had done anything wrong and did not need to do anything more. Mr S disagreed and therefore his complaint has been passed to me to issue 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.

Firstly, I should stress that there is no automatic right for a consumer to receive a refund from Revolut when they are scammed. For Revolut to be liable to make a refund, I would need to be satisfied that firstly, Revolut should have intervened during the scam and secondly, had it done so, the scam would have been prevented. I also must consider whether Revolut is liable to refund Mr S the money he lost based on the rules in place at the time.

It’s accepted that Revolut has an obligation to follow Mr S’s payment instructions. So, in the first instance, Mr S is presumed liable for his loss. But there are other factors that must be considered.

I’ve considered whether Revolut should have done more to prevent Mr S from falling victim to the scam, as there are some situations in which it should reasonably have had a closer look at the circumstances surrounding a particular transaction. For example, if it was particularly out of character.

In this instance I think that Revolut should have intervened when Mr S made a payment of £6,000 on 9 January 2021. The payments prior to this were, in my view, not large enough to have reasonably prompted an intervention. The payment on 9 January 2021 was in my view large enough and represented over £11,000 being sent to a new payee over a short amount of time. So I think that Revolut should have stopped the payment and asked Mr S probing questions about what it was for.

Revolut did not intervene, but this does not mean that Mr S should receive a refund of the transactions after this point. For me to say that Mr S should get his money back, I would still need to be satisfied that had Revolut done so, it would have prevented the scam from occurring, or at least continuing.

So, I have thought about what would likely have happened if an intervention had occurred on 9 January 2021. Had Revolut intervened and asked about the payment I think it would have discovered that Mr S was investing in a clothing firm that he had worked for as a model and had been paid by in the past. I think in assuring Revolut that the payment was for genuine purposes (bearing in mind that Mr S wasn't aware it was a scam at that point) Mr S would've likely explained that he'd met the owner of the business in person on several occasions and had even seen the clothing being made. I think Mr S would've also likely explained that he had already received a return on his investment and that the company was, or at least seemed to be, a legitimate company.

Based on this, I do not think that Revolut would have uncovered that Mr S was potentially being scammed. Especially as scams involving clothing firms are not a common scam, at least in my experience in dealing with such complaints.

I've also consulted the official organisations that publish warnings about merchants that operate in the UK and abroad, including the Investor Alerts Portal of the International Organization of Securities Commissions ("IOSCO"), as well as the FCA's own warning list. These watchlists, along with other reputable sources, lead me to believe that there were no warnings about B at the time Mr S made his payment, so I don't think there was any information that was externally available that ought to have led Revolut to think that the payment could be linked to a scam.

At the time Mr S made his payments, B appears (with a basic search) to have been comprised of legitimate companies. I accept that, with hindsight, after the police investigation, B appears to have been a scam from the beginning. But I'm not persuaded that there was any reason for Revolut or Mr S to have been aware that B was fraudulent or operating a scam at the time of the payments. Therefore, I don't consider Revolut not intervening caused Mr S a loss, as I don't think that it would have stopped the scam even if it had intervened.

I note Mr S's comments that Revolut did block his account after the scam and it should have done this earlier. But my understanding is that this related Mr S's source of income rather than concerns that Mr S was being scammed. Unfortunately, it appears that Mr S did not respond to these questions. So his account was blocked, albeit after the scam had finished. I don't think that Revolut needed to do more here and even had it managed to get hold of Mr S to discuss his income, I don't think it would have prevented the scam, as Mr S would have just provided evidence to Revolut showing his source of income which I don't think would have made Revolut aware that he was being scammed as it would just seem as if he was receiving funds from an investment he had made to a firm that appeared legitimate at the time.

I've also thought about whether Revolut ought to have done anything to recover the funds after Mr S reported his loss. Revolut wouldn't have been under any obligation to consider refunding the payment under the Contingent Reimbursement Model (CRM) as it does not sign up to this code. I note that Revolut did contact the receiving financial institution that held B's account, once Mr S made it aware of the scam. But that company confirmed the funds had already been sent on. So I think that Revolut took reasonable steps to attempt to recover Mr S's money.

I appreciate this will likely come as a disappointment to Mr S, and I'm sorry to hear he has lost a significant amount of money. But there is not an automatic right for consumers to receive a refund from Revolut if they are scammed - it depends on the circumstances and payment methods used. In this instance, for the reasons given above, Mr S is not due a refund from Revolut.

My final decision

For the reasons given above, I do not 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 12 July 2024.

Charlie Newton
Ombudsman