

The complaint

Mr R complains that Revolut Ltd (Revolut) is refusing to refund him the amount he lost as the result of a scam.

What happened

Mr R was contacted via WhatsApp in relation to a job opportunity. The job required Mr R to complete various tasks before he could make a withdrawal.

Mr R started the job and after he completed each task the balance on his account dropped to a negative number, he then had to make payments to clear the negative balance before he could continue. Mr R was guided by X on how to do this via a cryptocurrency exchange.

Mr R came across several “lucky orders” that required him to make additional payments to receive greater benefits.

When Mr R completed the required number of tasks, he attempted to make a withdrawal, but X told him he would have to make a further payment first in relation to a handling fee, and Mr R realised he had fallen victim to a scam.

Mr R made the following payments in relation to the scam from his Revolut account:

Payment	Date	Payee	Payment Method	Amount
1	2 June 2023	Binance	Debit Card	£15.00
2	2 June 2023	Binanceltgbpecom	Debit Card	£15.00
3	2 June 2023	Binance	Debit Card	£85.00
4	3 June 2023	Binance	Debit Card	£16.00
5	3 June 2023	Binanceltgbpecom	Debit Card	£25.99
6	4 June 2023	Binance	Debit Card	£299.45
7	4 June 2023	Binance	Debit Card	£624.73
8	4 June 2023	Binanceltgbpecom	Debit Card	£1,408.78
9	5 June 2023	Binance	Debit Card	£2,500.00
10	6 June 2023	Binance	Debit Card	£1,508.65
11	7 June 2023	Moonpay*okx	Debit Card	£5,913.09
12	7 June 2023	Simplex_paybis	Debit Card	£12,372.00
13	7 June 2023	Binance	Debit Card	£5,000.00
14	7 June 2023	Binance	Debit Card	£5,000.00
15	7 June 2023	Binanceltgbpecom	Debit Card	£1,000.00
16	8 June 2023	Binance	Debit Card	£5,000.00
17	8 June 2023	Binance.com	Debit Card	£698.94

In my provisional decision sent on 24 January 2025 I said:

“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.

And, as the Supreme Court has recently reiterated in Philipp v Barclays Bank UK PLC, subject to some limited exceptions banks have a contractual duty to make payments in compliance with the customer's instructions.

In that case, the Supreme Court considered the nature and extent of the contractual duties owed by banks to their customers when making payments. Among other things, it said, in summary:

- The starting position is that it is an implied term of any current account contract that, where a customer has authorised and instructed a bank to make a payment, it must carry out the instruction promptly. It is not for the bank to concern itself with the wisdom or risk of its customer's payment decisions.*
- At paragraph 114 of the judgment the court noted that express terms of the current account contract may modify or alter that position. In Philipp, the contract permitted Barclays not to follow its consumer's instructions where it reasonably believed the payment instruction was the result of APP fraud; but the court said having the right to decline to carry out an instruction was not the same as being under a legal duty to do so.*

In this case, the terms of Revolut's contract with Mr R modified the starting position described in Philipp, by – among other things – expressly requiring Revolut to refuse or delay a payment “if legal or regulatory requirements prevent us from making the payment or mean that we need to carry out further checks” (section 20).

So, Revolut was required by the terms of its contract to refuse payments in certain circumstances, including to comply with regulatory requirements such as the Financial Conduct Authority's Principle for Businesses 6, which required financial services firms to pay due regard to the interests of their customers and treat them fairly. I am satisfied that paying due regard to the interests of its customers and treating them fairly meant Revolut should have been on the look-out for the possibility of fraud and refused card payments in some circumstances to carry out further checks.

In practice Revolut did in some instances refuse or delay payments at the time where it suspected its customer might be at risk of falling victim to a scam.

I must also take into account that the basis on which I am required to decide complaints is broader than the simple application of contractual terms and the regulatory requirements referenced in those contractual terms. I must determine the complaint by reference to what is, in my opinion, fair and reasonable in all the circumstances of the case (DISP 3.6.1R) taking into account the considerations set out at DISP 3.6.4R.

Whilst the relevant regulations and law (including the law of contract) are both things I must take into account in deciding this complaint, I'm also obliged to take into account regulator's guidance and standards, relevant codes of practice and, where appropriate, what I consider to have been good industry practice at the relevant time: see DISP 3.6.4R. So, in addition to taking into account the legal position created by Revolut's standard contractual terms, I also must have regard to these other matters in reaching my decision.

Looking at what is fair and reasonable on the basis set out at DISP 3.6.4R, I consider that Revolut should in June 2023 have been on the look-out for the possibility of fraud and have taken additional steps, or made additional checks, before processing payments in some circumstances.

In reaching the view that Revolut should have been on the look-out for the possibility of fraud and have taken additional steps, or made additional checks, before processing payments in

some circumstances, I am mindful that in practice all banks and EMI's like Revolut did in fact seek to take those steps, often by:

- using algorithms to identify transactions presenting an increased risk of fraud;¹*
- requiring consumers to provide additional information about the purpose of transactions during the payment authorisation process;*
- using the confirmation of payee system for authorised push payments;*
- providing increasingly tailored and specific automated warnings, or in some circumstances human intervention, when an increased risk of fraud is identified.*

For example, it is my understanding that in June 2023, Revolut, whereby if it identified a scam risk associated with a card payment through its automated systems, could (and sometimes did) initially decline to make that payment, in order to ask some additional questions (for example through its in-app chat).

I am also mindful that:

- Electronic Money Institutions like Revolut are required to conduct their business with “due skill, care and diligence” (FCA Principle for Businesses 2), “integrity” (FCA Principle for Businesses 1) and a firm “must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems” (FCA Principle for Businesses 3)².*
- Over the years, the FCA, and its predecessor the FSA, have published a series of publications setting out non-exhaustive examples of good and poor practice found when reviewing measures taken by firms to counter financial crime, including various iterations of the “Financial crime: a guide for firms”.*
- Regulated firms are required to comply with legal and regulatory anti-money laundering and countering the financing of terrorism requirements. Those requirements include maintaining proportionate and risk-sensitive policies and procedures to identify, assess and manage money laundering risk – for example through customer due-diligence measures and the ongoing monitoring of the business relationship (including through the scrutiny of transactions undertaken throughout the course of the relationship). I do not suggest that Revolut ought to have had concerns about money laundering or financing terrorism here, but I nevertheless consider these requirements to be relevant to the consideration of Revolut's obligation to monitor its customer's accounts and scrutinise transactions.*
- The October 2017, BSI Code³, which a number of banks and trade associations were involved in the development of, recommended firms look to identify and help prevent transactions – particularly unusual or out of character transactions – that could involve fraud or be the result of a scam. Not all firms signed the BSI Code (and Revolut was not a signatory), but the standards and expectations it referred to represented a fair articulation of what was, in my opinion, already good industry practice in October 2017 particularly around fraud prevention, and it remains a starting point for what I consider to be the minimum standards of good industry practice now (regardless of the fact the BSI was withdrawn in 2022).*
- Revolut should also have been aware of the increase in multi-stage fraud, particularly involving cryptocurrency when considering the scams that its customers might become victim to. Multi-stage fraud involves money passing through more than one*

¹ For example, Revolut's website explains it launched an automated anti-fraud system in August 2018: https://www.revolut.com/news/revolut_unveils_new_fleet_of_machine_learning_technology_that_has_seen_a_further_reduction_in_card_fraud_and_had_offers_from_banks/

² Since 31 July 2023 under the FCA's new Consumer Duty package of measures, banks and other regulated firms must act to deliver good outcomes for customers (Principle 12), but the circumstances of this complaint pre-date the Consumer Duty and so it does not apply.

³ BSI: PAS 17271: 2017” Protecting customers from financial harm as result of fraud or financial abuse”

account under the consumer's control before being sent to a fraudster. Our service has seen a significant increase in this type of fraud over the past few years – particularly where the immediate destination of funds is a cryptocurrency wallet held in the consumer's own name. And, increasingly, we have seen the use of an EMI (like Revolut) as an intermediate step between a high street bank account and cryptocurrency wallet.

- The main card networks, Visa and Mastercard, don't allow for a delay between receipt of a payment instruction and its acceptance: the card issuer has to choose straight away whether to accept or refuse the payment. They also place certain restrictions on their card issuers' right to decline payment instructions. The essential effect of these restrictions is to prevent indiscriminate refusal of whole classes of transaction, such as by location. The network rules did not, however, prevent card issuers from declining particular payment instructions from a customer, based on a perceived risk of fraud that arose from that customer's pattern of usage. So it was open to Revolut to decline card payments where it suspected fraud, as indeed Revolut does in practice (see above).

Overall, 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 in June 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); and
- 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.

Whilst I am required to take into account the matters set out at DISP 3.6.4R when deciding what is fair and reasonable, I am satisfied that to comply with the regulatory requirements that were in place in June 2023, Revolut should in any event have taken these steps.

Should Revolut have recognised that Mr R was at risk of financial harm from fraud?

It isn't in dispute that Mr R has fallen victim to a cruel scam here, nor that he authorised the payments he made from his debit card via a cryptocurrency exchange to the scammer. Whilst I have set out in detail in this decision the circumstances which led Mr R to make the payments from his Revolut account and the process by which that money ultimately fell into the hands of the fraudster, I am mindful that, at that time, Revolut had much less information available to it upon which to discern whether any of the payments presented an increased risk that Mr R might be the victim of a scam.

Payments 1-8 were not so significant in value that I would have expected them to have caused Revolut to have concerns, however payment 9 was of a higher value. The payments Mr R was making were also increasing in value, and being made to a cryptocurrency exchange, which Revolut would have known at the time carried increased risk.

I think Revolut should have had concerns about payment 9. However, I think a proportionate intervention at the time would have been for Revolut to have provided a tailored written warning that broadly covered the risks involved in cryptocurrency investment scams.

Although Mr R was falling victim to a scam and making payments via cryptocurrency exchanges the scam was not a typical cryptocurrency investment scam, instead it was a job scam. I would not have expected such a warning, as explained above, to have covered the aspects of the scam Mr R was experiencing.

I don't think the proportionate warning I have explained above would have caused Mr R to have had concerns or prevented further loss.

When Mr R made payment 12 the value of the payment was significant and almost twice the value of any of the payments Mr R had previously made. I think this payment should have caused Revolut to have significant concerns, and it should have intervened further.

What did Revolut do to warn Mr R?

All the payments were made using Mr R's debit card and Mr R was required to confirm it was him making the payments via the 3DS secure verification process. But Revolut did not intervene further than this.

What kind of warning should Revolut have provided?

I have explained above that I think Revolut should have provided a tailored written warning that broadly covered cryptocurrency investment scams. I have also explained why I don't think this type of warning would have made a difference.

Although when Mr R made payment 12 for the much higher value of over £12,000, I think Revolut should have had more concerns and provided an intervention proportionate to the increased risk associated with that payment.

Having thought carefully about the risk payment 12 presented, I think a proportionate response to that risk would be for Revolut to have attempted to establish the circumstances surrounding the payment before allowing it to debit Mr R's account. I think it should have done this by, for example, directing Mr R to its in-app chat to discuss the payment further.

If Revolut had attempted to establish the circumstances surrounding payment 12, would the scam have come to light and Mr R's loss been prevented?

Had Mr R told Revolut the truth surrounding the payment, that he had been contacted about a job on WhatsApp and that the employer required him to make payments via cryptocurrency after completing various tasks, before he could make a withdrawal, I think it would have immediately recognised that he was falling victim to a scam. It would have been able to provide a very clear warning and, given that Mr R had no desire to lose his money it's very likely that he would have stopped, not followed the fraudster's instructions and his loss would have been prevented.

So, I've considered whether Mr R would have revealed the truth surrounding the payment he was making. It doesn't appear that Mr R was given a logical cover story by X when he was making the payments and I don't have enough to say he would not have been honest had he been questioned by Revolut.

Ultimately, as Revolut didn't question the payments Mr R made, it can provide no compelling evidence that he would have misled it about the purpose of the payment or the surrounding

circumstances.

So, Revolut should, once it had established why Mr R was making the payments, provided a very clear warning that it was likely Mr R was falling victim to a scam, and that no legitimate employer would ask for an employee to send it funds via cryptocurrency before releasing payments to him.

I think, on the balance of probabilities, that this warning would likely to have caused Mr R to stop. He didn't want to lose his money. I'm satisfied that had Revolut established the circumstances surrounding payment 12, as I think it ought to have done, and provided a clear warning, Mr R's loss from and including payment 12 would have been prevented.

Is it fair and reasonable for Revolut to be held responsible for Mr R's loss?

In reaching my decision about what is fair and reasonable, I have taken into account that Mr R purchased cryptocurrency, rather than making a payment directly to the fraudsters. So, he remained in control of his money after he made the payments from his Revolut account, and it took further steps before the money was lost to the fraudsters.

I have carefully considered Revolut's view that in a multi-stage fraud, a complaint should be properly considered only against either the firm that is a) the 'point of loss' – the last point at which the money (or cryptocurrency) remains under the victim's control; or b) the origin of the funds – that is the account in which the funds were prior to the scam commencing. It says it is (in this case and others) merely an intermediate link – being neither the origin of the funds nor the point of loss and it is therefore irrational to hold it responsible for any loss.

But as I've set out in some detail above, I think that Revolut still should have recognised that Mr R might have been at risk of financial harm from fraud when he made payment 12, and in those circumstances it should have declined the payment and made further enquiries. If it had taken those steps, I am satisfied it would have prevented the losses Mr R suffered. The fact that the money used to fund the scam came from elsewhere and wasn't lost at the point it was transferred does not alter that fact and I think Revolut can fairly be held responsible for Mr R's loss in such circumstances. While I have carefully noted Revolut's comments on this point have not persuaded me to reach a different view – I don't think there is any point of law or principle that says that a complaint should only be considered against either the firm that is the origin of the funds or the point of loss.

I've also considered that Mr R has only complained against Revolut. I accept that it's possible that other firms might also have missed the opportunity to intervene or failed to act fairly and reasonably in some other way, and Mr R could instead, or in addition, have sought to complain against those firms. But Mr R has not chosen to do that and ultimately, I cannot compel him to. In these circumstances, I can only make an award against Revolut.

I'm also not persuaded it would be fair to reduce Mr R's compensation in circumstances where: the consumer has only complained about one respondent from which they are entitled to recover their losses in full; has not complained against the other firm (and so is unlikely to recover any amounts apportioned to that firm); and where it is appropriate to hold a business such as Revolut responsible (that could have prevented the loss and is responsible for failing to do so). That isn't, to my mind, wrong in law or irrational but reflects the facts of the case and my view of the fair and reasonable position.

Ultimately, I must consider the complaint that has been referred to me (not those which haven't been or couldn't be referred to me) and for the reasons I have set out above, I am satisfied that it would be fair to hold Revolut responsible for Mr R's loss from payment 12 (subject to a deduction for consumer's own contribution which I will consider below).

Should Mr R bear any responsibility for his losses?

Despite regulatory safeguards, there is a general principle that consumers must still take responsibility for their decisions (see s.1C(d) of our enabling statute, the Financial Services and Markets Act 2000).

In the circumstances, I do think it would be fair to reduce compensation by 50% on the basis that Mr R should share blame for what happened.

Mr R was contacted via WhatsApp for a job opportunity. No formal interview was conducted, and he was required to make multiple payments in cryptocurrency to withdraw funds. I think this should have appeared unusual to Mr R and he should have been concerned.

I think it would have been reasonable for Mr R to carry out thorough due diligence before agreeing to part with significant amounts and had he done so it is likely he could also have prevented his loss.

Could Revolut have done anything to recover Mr R's money?

As the payments were made by card and sent to a cryptocurrency account held in Mr R's name, Revolut would not have been able to recover the funds. I don't consider that a chargeback would have had any prospect of success given there's no dispute that the cryptocurrency exchange provided cryptocurrency to Mr R, which he subsequently sent to the fraudsters."

I gave Mr R and Revolut time to respond to my provisional 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.

Neither Mr R, nor Revolut provided anything further for me to consider in the time allowed. So, I see no reason to come to a different decision to that explained above

Putting things right

To put things right I require Revolut Ltd to:

- Refund 50% of the payments Mr R made into the scam from payment 12 onwards.
- Add 8% simple interest per year to the amount it pays Mr R from the date of loss to the date the payment is made (less any lawfully deductible tax).
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My final decision

I uphold this complaint and require Revolut Ltd to put things right by doing what I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 7 March 2025.

Terry Woodham
Ombudsman

