

The complaint

Ms M complains that Revolut Ltd (“Revolut”) won’t refund over £4,000 she lost to an employment scam in March 2023.

What happened

The details of this complaint are well known to both parties, so I won’t repeat everything again here. In brief summary, Ms M fell victim to an employment scam in March 2023 after she was contacted by a sham recruiter offering a remote commission-based job opportunity online.

Ms M was told that she would need to review products online and would need to make small deposits to access tasks, for which she would then generate a profit upon completion. Ms M made five transfers to various payees from her Revolut account between 4-28 March 2023, totalling £4,391. She said this money was then converted to cryptocurrency and sent on to the scammer.

Ms M eventually realised she had been scammed after she was being asked to make increasingly larger payments to carry out the tasks. She reported the fraud to Revolut on 31 March 2023, but it failed to take any action. Revolut subsequently closed Ms M’s account and applied a CIFAS marker in April 2023 following the disputed payment activity, as it said it had received a fraud report about a transaction that was paid into Ms M’s account, where it had concerns that she was involved in fraudulent activity.

Ms M complained to Revolut, as she said it had wrongly applied the CIFAS marker. She also said it should refund the payments she lost to the scam as it failed to protect her from financial harm. Revolut eventually acknowledged that Ms M was in fact the victim of a scam rather than a fraudster herself, so it removed the CIFAS marker in July 2023 and offered £300 compensation for the distress and inconvenience caused. However, it said it wouldn’t refund the money Ms M lost to the scam as she had authorised the payments. Unhappy with this, Ms M referred the matter to our service.

Our investigator didn’t uphold the complaint. She didn’t think any of the disputed payment activity would’ve appeared particularly unusual or suspicious, so she thought the general scam warning Revolut gave for one of the payments it did block was proportionate to the risk presented. So, the investigator didn’t think it could fairly be held responsible for Ms M’s loss to the scam. She also thought that the £300 compensation offered by Revolut was fair for the distress and inconvenience caused by it wrongly applying the CIFAS marker. Ms M disagreed, as she said the CIFAS marker had a considerable impact on her and her business, which is still affecting her now. As she didn’t agree, the matter was escalated to me to determine.

I issued my provisional decision on this complaint in April 2024. I said I was minded to uphold it in part and set out the following reasons:

Did Revolut do enough to protect Ms M from being scammed?

I’ve first considered whether Revolut should have done more to protect Ms M from the risk of

being scammed. It isn't in dispute that Ms M authorised the disputed payments she made from her Revolut account to the payees set up on her account. The transfers were requested using her legitimate security credentials provided by Revolut, and the starting position is that firms ought to follow the instructions given by their customers in order for legitimate payments to be made as instructed.

However, there are some situations in which a firm should reasonably have had a closer look at the circumstances surrounding a particular transfer. For example, if it was particularly suspicious or out of character.

I appreciate that overall, Ms M has lost over £4,000, which is a significant amount of money. But this amount wasn't paid in one large or 'out of character' transaction. It was spread over five smaller payments across the space of a month which, in my judgment, would not have appeared particularly suspicious or indicative of a heightened risk of financial harm. The account had also been newly opened by Ms M, and there was no transaction history for Revolut to compare her spending against to reasonably determine if it was unusual or not.

However, Revolut did nonetheless block a £500 payment to one of the reported payees on 19 March 2023, where it asked Ms M if she knew and trusted the person she was paying. It also provided her with a generic scam warning about the risks associated with the payment.

Ms M didn't proceed with the payment at that time, but then then sent a payment to the same beneficiary the following day. And given the relatively low value of the payment being made, I'm satisfied Revolut's level of questioning and warning provided was proportionate in these circumstances.

So, I'm satisfied Revolut cannot reasonably be held liable for failing to prevent the scam, and that the warnings it provided in this instance were proportionate.

I've also considered whether Revolut did enough to try and recover the funds when Ms M reported the fraud. Revolut said that it reached out to the beneficiary banks of the payees on 19 July 2023 in an attempt to recover the funds, it said this process was 'ongoing' in its submissions but has since confirmed that it was unsuccessful as there has been no response. But what's concerning is that Revolut didn't take any action to reach out to the beneficiary banks until over three months after Ms M reported the transactions as fraudulent on 31 March 2023. So, I do think that Revolut could have taken action much sooner. But on balance, I don't think this would've likely made any difference.

In her initial submissions, Ms M seemed to suggest that she made payments to the various payees in return for cryptocurrency (assumedly through the peer-to-peer trading market). In which case, Revolut wouldn't have had any basis in which to recover the funds in any event, as Ms M would have received the cryptocurrency from the third parties she had paid, which was then subsequently transferred on to the scammer.

If this wasn't the case and Ms M was transferring money directly to bank accounts held by the scammer, I don't think there would've been any reasonable prospect of Revolut recovering the funds, even if it had taken action when Ms M first reported the fraud. Money received into a scammer's account is most typically withdrawn or transferred out within 24 hours. And given Ms M only first reported the fraud on 31 March 2023, it's highly unlikely any of the funds would have remained in the receiving accounts by that point, given the last payment was made a few days earlier on 28 March 2023. It also doesn't seem like Revolut would've received a prompt response from any of the beneficiary banks either in light of the lack of response it got to its recovery attempts in July 2023. So, while I think Revolut could have done more here and acted sooner, I'm not persuaded it would've likely had any bearing on its ability to recover any of the money Ms M lost in these circumstances.

However, while I don't consider Revolut can fairly be held responsible for the money Ms M lost to the scam, there are other aspects of her complaint that I'm currently minded to uphold in terms of the distress and inconvenience caused by Revolut's handling of the matter.

Distress and inconvenience

After Ms M reported the fraud, Revolut wrongly closed her account and even applied a CIFAS marker following the disputed payment activity, as it said it had received a fraud report about a transaction that was paid into Ms M's account (which appears to have come from Ms M's own company). It applied the CIFAS marker on 3 April 2023, which remained active until Revolut removed it on 6 July 2023, where it then conceded that Ms M was in fact the victim of a scam. However, I've seen no reasonable basis for Revolut either closing Ms M's account or applying a CIFAS marker in the first place, and I think this has had a considerable impact on Ms M.

Ms M has explained in an impact statement that, as a result of the CIFAS marker, she was left with no banking facilities for months and couldn't bill for her paralegal work. She said that her other bank closed her business account following the marker being applied, and she wasn't able to open another, or even a basic bank account at that time. This led to her having to close her company down (for which she has provided evidence) as she couldn't bill for the work she was doing, which also led to a loss of income. Ms M has explained that this has all caused her great emotional and financial distress, and although the marker has since been removed, it was still active for over three months, and she said it is still having an impact on her life as some banks are saying they will no longer deal with her.

Revolut has offered £300 compensation in recognition of the distress and inconvenience caused by its incorrect application of the CIFAS marker. But I'm not persuaded this is commensurate to the distress and inconvenience Revolut's actions have caused in these circumstances. It's reasonably foreseeable that wrongfully applying a CIFAS marker would have very serious consequences for the individual involved, such as distress and financial hardship, as Ms M has indeed experienced in this case. I therefore intend directing Revolut to pay £1,500 compensation. I acknowledge this is a substantial award. But I consider this sum to be fair, reasonable and proportionate in all the circumstances when taking into account the impact the CIFAS marker has had on Ms M.

I invited further comments and evidence from both parties. Neither responded with anything further to add.

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.

Given that neither party had anything further to add, I see no reason to depart from the conclusions set out in my provisional decision.

It follows that I uphold this complaint in part.

My final decision

For the reasons given above and set out in my provisional decision, I uphold this complaint and direct Revolut Ltd to pay Ms M £1,500 compensation for the distress and inconvenience it has caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 4 June 2024.

Jack Ferris
Ombudsman