

The complaint

Mr L complains that Revolut won't refund two payments he says he made and lost to a scam.

What happened

The background to this complaint is well-known to both parties, so I won't repeat it in detail here. But in summary and based on the submissions of both parties, I understand it to be as follows.

Mr L complains that from November 2023 he made two debit card payments from his Revolut account to what he thought was a legitimate investment company.

Payment Number	Date	Amount
Payment 1	10 November 2023	£2,000
Payment 2	21 November 2023	£1,800
Total		£3,800

Mr L says that in November 2023 he was looking for ways to invest his money. After speaking to some friends, he decided to invest in an application he found online.

Mr L says following making the two payments, he tried to withdraw his profits but couldn't. He spoke to his friends who had similar issues, and at this point he knew he'd been scammed. So, Mr L raised this with Revolut.

Revolut looked into the complaint but didn't uphold it. It didn't think it had done anything wrong by allowing the payments to go through. So, Mr L brought his complaint to our service.

Our investigator looked into the complaint but didn't uphold it. Our investigator didn't find the payments were suspicious or unusual enough to trigger any of Revolut's automatic fraud detection systems.

As Mr L didn't agree with the investigator's view, the complaint's been passed to me for a final 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.

Having done so, I've come to the same outcome as the investigator for largely the same reasons. I'll explain why.

I'm very aware that I've summarised this complaint briefly, in less detail than has been provided, and in my own words. No discourtesy is intended by this. Instead, I've focussed on what I think is the heart of the matter here. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is the right outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

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 in November 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;
- have acted to avoid causing foreseeable harm to customers, for example by maintaining adequate systems to detect and prevent scams and by ensuring all aspects of its products, including the contractual terms, enabled it to do so;
- 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.

But here, having considered the amount of money sent to the scammer, I agree with the investigator when she said that these payments wouldn't look sufficiently out of character given their size and wouldn't have triggered Revolut's payment checking process.

Since 1 January 2023 I'd expect Revolut to have attached greater risk to crypto-related payments like this but still, given that not all crypto-related payments are made as a result of a scam, and given the amount the payments were for and how they were spread out, this still doesn't persuade me that Revolut reasonably ought to have been expected to have intervened.

I've also checked the official organisations that publish warnings about merchants that operate in the UK and abroad, to check if there were any warnings about who Mr L paid that ought to have triggered Revolut's fraud prevention systems. I've searched the Investor Alerts Portal of the International Organization of Securities Commissions ("IOSCO"), the international body that brings together the world's securities regulators. And the FCA (as the

UK regulator) also has its own warning list, which is in place to share alerts and insight about merchants that have been identified as potentially being fraudulent or at risk of scamming individuals.

There were no such warnings about the merchant Mr L paid. So, this is another reason why I don't think the payments ought to have been automatically stopped or triggered any warnings by Revolut.

Mr L's representative has told us that they think the payment would've looked suspicious as it was different to any of the account opening reasons he gave. I've considered this point carefully, but I don't agree. Mr L gave an account opening reason as transfers, and as the payments went to a wallet in Mr L's name, I don't think this would've looked suspicious on its own.

Recovery

After the payments were made, I couldn't reasonably expect Revolut to have done anything further until Mr L told Revolut that he had been scammed.

Mr L made these payments to a legitimate crypto exchange account in his name. So, Revolut could only have tried to recover it from Mr L's own crypto account.

After the debit card payments were made, the only potential avenue for recovery of the payments would have been through the chargeback scheme. The chargeback scheme is a voluntary scheme set up to resolve card payment disputes between merchants and cardholders. Revolut is bound by the card scheme provider's chargeback rules. Whilst there is no 'right' to a chargeback, I consider it to be good practice that a chargeback be raised if there is a reasonable chance of it succeeding. But a chargeback can only be made within the scheme rules, meaning there are only limited grounds and limited forms of evidence that will be accepted for a chargeback to be considered valid, and potentially succeed. Time limits also apply. Unfortunately, the chargeback rules don't cover scams.

In the circumstances of this complaint, I'm satisfied that a claim would've unlikely been successful. Mr L paid a legitimate crypto exchange, and he would have received a service from the crypto exchange. Mr L's disagreement is with the scammer, not the crypto exchange. And so, it would not have been possible for Revolut to process a chargeback claims against the scammer, as Mr L did not pay them directly.

So, I don't think Mr L had any reasonable prospect of success if Revolut were to have processed chargeback claims against the crypto exchange. This means I can't say that Revolut acted unfairly when it considered Mr L's chargeback claim.

Mr L feels that Revolut should refund the money he lost due to the scam. I understand that this will have been frustrating for him, but I've thought carefully about everything that has happened, and with all the circumstances of this complaint in mind I don't think Revolut needs to pay Mr L any compensation. I realise this means Mr L is out of pocket and I'm really sorry he's lost this money. However, for the reasons I've explained, I don't think I can reasonably uphold this complaint.

My final decision

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 L to accept or reject my decision before 17 October 2024.

Tom Wagstaff
Ombudsman