

The complaint

Ms M complains that Revolut Ltd didn't do enough to protect her from the financial harm caused by an investment scam, or to help her recover the money once she'd reported the scam to it.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

In October 2022, Ms M invested £250 into a platform which I'll refer to as "R". In February 2023, she received a call from someone I'll refer to as "the scammer" who claimed to work for the Financial Conduct Authority ("FCA"). They said R was a scam, but they'd found the investment and it had increased to £46,000.

The scammer told Ms M that to unlock the funds she'd have to deposit 50% of the value of the investment. He told her to open a Revolut account, which she did, declaring the purpose of the account as 'transfers'. He also told her to download AnyDesk remote access software and to first purchase cryptocurrency from a cryptocurrency exchange company which I'll refer to as "B" before loading it onto an online wallet. Ms M transferred funds into the Revolut account from an account she held overseas, and between 21 February 2023 and 15 March 2023, she made twelve card payments to B from her Revolut account totalling £25,045 and €27,814.42 (plus €33.39 in fees).

Once Ms M had made the payments, she received a call from someone claiming she would need to pay tax on 42% of the value of the transactions, advising her to take out a small loan to satisfy the requirement. She realised she'd been scammed when she didn't receive any money and she lost contact with the scammer.

Ms M complained to Revolut with the assistance of a representative who said it should have intervened because she was buying cryptocurrency from a newly opened account and there was a large amount of money moving in and out of the account over a short period. They said Revolut should have questioned Ms M about the payments, and had it done so she'd have disclosed that she'd been contacted out of the blue by someone claiming to work for the FCA, and that she'd been asked to make payments in cryptocurrency to release funds from a previous investment. The representative said that with this information, Revolut would have detected the scam and stopped the payments.

Revolut refused to refund any of the money and so Ms M complained to this service, but our investigator didn't think the complaint should be upheld. She thought Revolut should have provided written warnings tailored to cryptocurrency scams on 24 February 2023 and 9 March 2023. But based on the interaction Ms M had with Revolut on 27 February 2023, she didn't think it would have made any difference.

She explained that on 27 February 2023, Revolut asked Ms M whether she'd recently downloaded any screen sharing applications, which she denied. She also said she was buying cryptocurrency, she hadn't been pressured to act quickly at the risk of missing out on

an investment opportunity, and she was acting alone. It also asked whether she was promised returns which were too good to be true, and whether she'd done any research and understood what she was investing in.

Revolut told Ms M to take her time before making an investment decision and explained that scammers try and convince people that they'll miss out on an investment opportunity if they don't send money quickly and promise returns that are too good to be true. It also warned her that scammers trick people into buying cryptocurrency from fake websites and investment platforms.

Our investigator said that Ms M's responses to Revolut's questions were misleading, and he was satisfied this had prevented it from identifying that the payments were being made to a scam. He was also satisfied the warnings were relevant to the answers she gave. He further explained that the communications Ms M had with the scammer and the interactions she had with other banks showed she was being coached, and there was nothing else it could have done to uncover the scam. So, he didn't think tailored written warnings on 24 February 2023 or 9 March 2023 would have made any difference.

Ms M has asked for the complaint to be reviewed by an Ombudsman. Her representative had argued that Revolut it asked multiple questions without waiting for Ms M to respond and was satisfied with 'no' as an answer to multiple questions. They said that if it had asked more probing questions and scrutinised her responses including why she was sending funds overseas to buy cryptocurrency, the scam would have been uncovered.

They further argued that the transcript of the chat she had with Revolut shows there was a sense of urgency from Ms M, which is a clear indication that she was pressured to make the payments, and it wasn't sufficient to ask a closed question about third party involvement. They've said Ms M wasn't told how to answer Revolut's questions, she was merely updating the scammer about what she'd already said. She'd believed the investment was genuine, so 'yes, I understand what I'm doing' wasn't dishonest. And the scammer wouldn't have told her to say she was buying cryptocurrency.

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 reached the same conclusion as our investigator. And for largely the same reasons. I'm sorry to hear that Ms M has been the victim of a cruel scam. I know she feels strongly about this complaint, and this will come as a disappointment to her, so I'll explain why.

I'm satisfied Ms M 'authorised' the payments for the purposes of the of the Payment Services Regulations 2017 ('the Regulations'), in force at the time. So, although she didn't intend the money to go to scammers, under the Regulations, and under the terms and conditions of his bank account, Ms M is presumed liable for the loss in the first instance.

There's no dispute that this was a scam, but although Ms M didn't intend her money to go to scammers, she did authorise the disputed payments. Revolut is expected to process payments and withdrawals that a customer authorises it to make, but where the customer has been the victim of a scam, it may sometimes be fair and reasonable for the bank to reimburse them even though they authorised the payment.

Prevention

Revolut was an emoney/money remittance provider and at the time these events took place it wasn't subject to all of the same rules, regulations and best practice that applied to banks and building societies. But it was subject to the FCA's Principles for Businesses and BCOBS 2 and owed a duty of care to protect its customers against the risk of fraud and scams so far as reasonably possible.

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 September 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.

I've thought about whether Revolut could have done more to prevent the scam from occurring altogether. Buying cryptocurrency is a legitimate activity and from the evidence I've seen, the payments were made to a genuine cryptocurrency exchange company. However, Revolut ought to fairly and reasonably be alert to fraud and scams and these payments were part of a wider scam, so I need to consider whether it ought to have intervened to warn Ms M when she tried to make the payments. If there are unusual or suspicious payments on an account, I'd expect Revolut to intervene with a view to protecting Ms M from financial harm due to fraud.

Revolut contacted Ms M via its live chat facility on 27 February 2023. During the conversation, she said she hadn't downloaded AnyDesk, no one had told her to create the Revolut account, she was acting alone and she hadn't been promised returns which were too good to be true. I'm satisfied that these answers were misleading and that this prevented it from detecting the scam.

Ms M's representative has argued that she spelled Revolut incorrectly and that she was clearly in a rush and frustrated that the payment was being delayed, which ought to have raised concerns. But I don't think misspelling Revolut is indicative of a scam, and I don't think it's unusual for consumers to feel frustration when their payments are delayed for fraud checks.

I've considered the warnings that Ms M was given during the intervention, and while I accept her responses prevented Revolut from detecting the scam, I think she should have been

given a warning which was tailored to cryptocurrency scams. Our investigator also said Revolut ought to have intervened sooner, so I've also considered whether I think an earlier warning would have made any difference.

We would expect Revolut to have provided a written warning covering some of the key features of cryptocurrency-related investment scams and I've thought carefully about whether this would have likely prevented any further loss in this case.

There were several red flags present such as having been told to download remote access software and having been contacted out of the blue. But rather than investing in cryptocurrency, Ms M genuinely believed she was sending funds to recover a previous investment, so it's unlikely a warning about cryptocurrency investment scams would have resonated with her. I've also considered the evidence of Ms M's communications with the scammer, and while I note the representative's comments that she wasn't coached to lie, I'm satisfied she was being guided by the scammer on how to deal with the interactions she was having with the banks and that she was open to following this guidance. So, if Revolut had given her a written warning, I think it's likely the scammer would have persuaded her that it didn't apply to her, and she'd have continued to make the payments. Because of this, I don't think a tailored written warning between 24 February 2023 and 9 March 2023 would have made any difference.

Recovery

I don't think there was a realistic prospect of a successful recovery because Ms M paid an account in her own name and moved the funds onwards from there.

Ms M own testimony supports that she used cryptocurrency exchanges to facilitate the transfers. It's only possible to make a chargeback claim to the merchant that received the disputed payments. It's most likely that the cryptocurrency exchanges would have been able to evidence they'd done what was asked of them. That is, in exchange for Ms M's payments, they converted and sent an amount of cryptocurrency to the wallet address provided. So, any chargeback was destined fail, therefore I'm satisfied that Revolut's decision not to raise a chargeback request against either of the cryptocurrency exchange companies was fair.

Compensation

The main cause for the upset was the scammer who persuaded Ms M to part with her funds. I haven't found any errors or delays to Revolut's investigation, so I don't think she is entitled to any compensation.

I'm sorry to hear Ms M has lost money and the effect this has had on her. But for the reasons I've explained, I don't think Revolut is to blame for this and so I can't fairly tell it to do anything further to resolve this complaint.

My final decision

For the reasons I've outlined above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 24 January 2025.

Carolyn Bonnell
Ombudsman