

The complaint

Mr F complains Revolut Ltd won't refund the money he lost when he fell victim to a scam.

What happened

Mr F was introduced to a cryptocurrency investment opportunity by his brother. He says he had seen that his brother had been able to withdraw money from the trading platform to his bank account. He also looked up the company and type of investment and didn't find anything concerning – and also thought their website appeared legitimate. So, he decided to invest. Unfortunately, the company was a scam.

In late March 2023, Mr F opened an account with Revolut. He then sent just over £7,000 to a cryptocurrency wallet in April 2023, before sending these funds on to the scam platform.

Mr F reports he then saw information online from victims naming the company as a scam. Supported by a professional representative, he complained to Revolut that it should have done more to protect him when he made the payments relating to the scam. When it didn't refund him, he referred the matter to our service.

Our investigator didn't uphold the complaint. She thought Revolut ought to have displayed a warning about the risks of cryptocurrency scams when Mr F made the largest payment (of £5,000). But she didn't think this would have struck Mr F as relevant to what he was doing – so didn't think this would have prevented his loss to the scam.

Mr F has appealed the investigator's outcome, so his case has been passed to me. His representative argues Revolut ought to have intervened further – and says this would have uncovered the scam.

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 decided not to uphold it. I'll explain why.

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 that, by the time of the scam, 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 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 don't think the payments Mr F is disputing initially looked risky. They started off for small amounts. Furthermore, as this was a new account, Revolut didn't know much about how Mr F transacted to know what looked unusual or concerning for him. He had also mentioned cryptocurrency as one of his reasons for opening the account during the application. So, I don't think Revolut immediately had cause to suspect he was at risk.

However, I'm satisfied Revolut ought to have recognised the £5,000 card payment carried a heightened risk of financial harm from fraud. This was higher than previous payments to the recipient, and it was a large payment to make to a cryptocurrency-related merchant.

I think a proportionate response to that risk would have been for Revolut to have displayed a written warning, tailored to explain the risks of cryptocurrency scams. But, had it done so, I'm not persuaded that would have prevented Mr F's loss. I'll explain why.

Such a warning could not cover all possibilities or iterations of cryptocurrency scams, but I would expect it to cover off the most common features. Such as where investment opportunities are being promoted on social media, often involving (apparent) celebrity endorsement; receiving unsolicited opportunities which are too good to be true; and the use of remote access software.

The scam Mr F fell victim to didn't meet most of the more common hallmarks. It didn't start with a celebrity backed advert, for example, nor did it involve the use of remote access software. Overall, I'm not persuaded that such a warning was likely to have struck Mr F as relevant to what he was doing.

Mr F found out about the investment from his brother, who he says had receive returns. Furthermore, when another firm spoke to Mr F about the investment, he said he had found it through his own, independent research without third party involvement. That suggests it wouldn't have struck him as relevant to be warned about the risks if you are not acting independently. He had already looked up the company, and hadn't found anything which gave him concern about their legitimacy.

I also know Mr F told the other firm he was aware of cryptocurrency investments, and discussed scenarios where returns are too good to be true. So again, I'm not persuaded a warning about that would have given him concern.

In those circumstances, I'm simply not persuaded that a proportionate warning would have prevented Mr F's fraudulent losses here – as I don't think it's likely this would have struck him as relevant to what he was doing. I'm therefore not persuaded Revolut's failing to issue a scam warning contributed to his loss. As such, I don't think it would be fair to direct Revolut to refund him for the payments to the scam.

My final decision

For the reasons given above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 23 August 2024.

Rachel Loughlin
Ombudsman