

## **The complaint**

Mr P complains that Revolut Ltd hasn't refunded him after he fell victim to a scam.

## **What happened**

I issued my provisional decision for this complaint on 16 October 2024. I've included a copy at the end of this final decision. In it I set out the background to the complaint and my findings, and so I'll not repeat all of that here. Instead, I'll say what has happened since.

Mr P responded to the provisional decision to say he accepted it.

Revolut hasn't responded at all. I'm progressing the complaint to the final decision stage as the response deadline has passed.

## **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.

As with the previous section of this decision, I'll not restate all of my findings here. Given Mr P has accepted them and Revolut hasn't responded there's no need for me to do so. There are no new arguments or pieces of evidence to consider.

That being the case, I see no reason to depart from the findings I've already explained and I'm upholding Mr P's complaint.

## **Putting things right**

On Mr P's confirmed acceptance Revolut should:

- Refund Mr P's loss from the stopped payment of £5,000 on 22 September 2022 onward;
- Pay interest on that sum at 8% simple per year, calculated from the date of loss to the date of settlement.

## **My final decision**

I uphold this complaint against Revolut Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 3 December 2024.

## **Provisional decision – issued 16 October 2024**

I've considered the relevant information about this complaint.

I'm reaching the same outcome as our investigator, but I've added some additional

reasoning.

I'll look at any more comments and evidence that I get by 30 October 2024. But unless the information changes my mind, my final decision is likely to be along the following lines.

### **The complaint**

Mr P complains that Revolut Ltd hasn't refunded him after he fell victim to a scam.

### **What happened**

Mr P has said he came across a firm – I'll refer to it as T – offering a cryptocurrency investment service after seeing an advert featuring the TV show This Morning and an apparent endorsement by one of its presenters. Mr P was interested and so completed an online form with his details. He was then contacted by someone from T. But what Mr P didn't know at the time is that this person and T were scammers.

T told Mr P about the service it offered and how everything would work. Mr P was persuaded to invest, starting with a small sum. He had to go through an onboarding process, including the submission of ID, and was then given access to trading platform a (what would turn out to be a fake).

He was told to set up an account with Revolut and a cryptocurrency wallet with a different firm to facilitate his trading. He was also told to open an account with a firm I'll call W, which was to be used for peer-to-peer cryptocurrency purchases. The scammers explained Revolut and W were preferable as they were placed to deal with the types of payment Mr P would have to undertake.

Mr P started by investing a small amount with T, just a couple of hundred pounds sent to his cryptocurrency wallet. This was in July 2022. He was assisted in this (and later) transactions by the scammers through the use of AnyDesk. The trading platform showed that he was quickly making returns on his investment and so he was persuaded to invest more.

Throughout this time Mr P was in regular contact with the scammers, through messaging, emails, and phone calls.

Once the returns were showing, Mr P's level of investment increased sharply. Within two months he'd invested more than £8,000. Revolut stepped in to question one of the payments being made: a transfer of £5,000 to Mr P's account with W on 22 September 2022. The money was to be sent there before being used for peer-to-peer cryptocurrency purchases, though this wasn't his first time sending money to that account. Revolut released the payment following some questioning as to its purpose.

The scam continued for another couple of months, with Mr P continuing to send money to W, and then on at the scammer's instruction.

In November 2022 Mr P was told by T that it would be sensible to liquidate his holdings and then restart investing in the new year. He agreed to do so and was told he'd need to pay fees and charges on his returns. Initially he'd been told that these would come out of his invested funds and associated returns. But was later told he'd have to pay the fees upfront.

Mr P made the payments as instructed, although not the full amount that had been requested. When the funds still weren't released he looked into the involved parties further and discovered the scam.

The scam was reported to Revolut and it looked into what had happened. It said it wouldn't reimburse Mr P as he'd authorised all of the payments and it said it had warned him about scams at the time he was making them. Your text here

### **What I've provisionally 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.

Subject to the consideration of any further evidence or arguments presented, my final decision will be as set out here.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In deciding what's fair and reasonable, I am required to take into account relevant law and regulations, regulators' rules, guidance and standards, and codes of practice; and, where appropriate, I must also take into account what I consider to have been good industry practice at the time.

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 P modified the starting position described in *Philipp*, by 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*".

So Revolut was required by the implied terms of its contract with Mr P and the Payment Services Regulations to carry out their instructions promptly, except in the circumstances set out in its contract, which included where regulatory requirements meant it needed to carry out further checks.

Whether or not Revolut was required to refuse or delay a payment for one of the reasons set out in its contract, the basic implied requirement to carry out an instruction promptly did not

in any event mean Revolut was required to carry out the payments immediately<sup>1</sup>. Revolut could comply with the requirement to carry out payments promptly while still giving fraud warnings, or making further enquiries, prior to making the payment.

And, I am satisfied that, taking into account longstanding regulatory expectations and requirements and what I consider to have been good industry practice at the time, Revolut should in July 2022 fairly and reasonably 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 (irrespective of whether it was also required by the express terms of its contract to do so).

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 do in fact seek to take those steps, often by:

- using algorithms to identify transactions presenting an increased risk of fraud;<sup>2</sup>
- 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.

In reaching my conclusions about what Revolut ought fairly and reasonably to have done, 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)<sup>3</sup>.
- 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

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<sup>1</sup> The Payment Services Regulation 2017 Reg. 86 states that “the payer’s payment service provider must ensure that the amount of the payment transaction is credited to the payee’s payment service provider’s account **by the end of the business day following the time of receipt of the payment order**” (emphasis added).

<sup>2</sup> 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\\_fourfold\\_reduction\\_in\\_card\\_fraud\\_and\\_had\\_offers\\_from\\_banks/](https://www.revolut.com/news/revolut_unveils_new_fleet_of_machine_learning_technology_that_has_seen_a_fourfold_reduction_in_card_fraud_and_had_offers_from_banks/)

<sup>3</sup> 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.

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 Code<sup>4</sup>, 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 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.

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 July 2022 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.

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

It's evident that Revolut did recognise Mr P was at risk of financial harm through fraud. It stopped the £5,000 payment he was trying to make on 22 September 2022 to ask additional questions.

I'm satisfied that it was right to do so given the transaction history up to that point. That history was somewhat limited, given the account had only been opened in July 2022. But the

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<sup>4</sup> BSI: PAS 17271: 2017" Protecting customers from financial harm as result of fraud or financial abuse"

payment values had escalated sharply in that time. And the activity didn't match the stated purpose of the account, which had been given as 'spend or save daily'. There had been no transactions on the account that matched that description.

Revolut ought also to have considered the activity that preceded the £5,000 payment. Mr P had been transferring sums in from an external account before quickly distributing them to either a cryptocurrency platform or to W. There wasn't a clear explanation for why he would be doing that and it presents as activity that can fairly and reasonably be described as generally unusual and risk bearing.

When asked for the purpose of the payment in-app, Mr P selected 'safe account'. Revolut had this payment purpose as there is a common scam type often described as a safe account scam. And so, if someone selects this as a payment purpose, it should – and evidently did – put Revolut on notice that something was wrong. Even if it were to be argued that the point of intervention ought to have been later (at the very latest it would be the next payment in the series, for £20,000, made just 30 minutes later) from the perspective of payment value and frequency, the fact that 'safe account' was selected as a payment purpose put Revolut on notice that there was a significant risk associated with the payment..

It is true that Mr P wasn't caught up in a safe account scam. But Revolut couldn't have known that at the time. And it ought to have recognised he was at risk of financial harm through fraud. It ought not have let the payment leave the account until it satisfied itself that the payment was going to an account in Mr P's own name, without risk of onward transmission, before releasing it.

#### What did Revolut do to warn Mr P?

Revolut gave some general warnings about scams before directing Mr P to the in-app chat. Mr P was presented with the following when making the payment:

***Do you know and trust the payee? If you're unsure, don't pay them as they may not be able to get your money back. Remember fraudsters can impersonate others, and we will never ask you to make a payment.***

Mr P clicked through the warning and was then presented with the following messages, each appearing one after the other once clicked through.

***This transfer could be a scam. Our system identified this transfer as suspicious, so we moved it to 'pending'.***

***Victims lose millions every year. In 2020, in the UK alone victims lost £479m to bank transfer scams. It's important that you take care and do your research before making a payment as once funds have been received by a fraudster, they're difficult to get back.***

***Fraudsters are professionals. They'll try to trick you into sending them money by pretending to be someone you trust. They can make their calls, emails and advertisements seem legitimate.***

***You're at risk of losing money. This payment is suspicious, only proceed if you're sure it isn't a scam.***

Mr P was then asked Mr P to select a purpose for his payment. It's here that he selected 'transfer to a safe account'. There was an option to select 'investment', but that's not what Mr P selected.

His choice prompted an in-app chat so that the payment could be discussed further. He was asked three questions and I've included his response in **bold**:

*Have you been asked to install any apps (such as AnyDesk or TeamViewer)?* **No**

*Are you paying someone you don't know or recently met online (e.g. via a dating platform) but haven't met in person?* **No**

*It is always important to take your time when making a payment to someone new. Would you like me to decline the transfer for you, while you take some time to consider if you would like to transfer to this beneficiary?* **No – I am paying myself**

The payment was then released.

*What kind of warning should Revolut have provided?*

The written warnings given by Revolut required little to no interaction or real engagement from Mr P and, in my view, they lack sufficient context to have been impactful in the circumstances of this case. I don't consider it to be a proportionate response to the risk that the payment of £5,000 on 22 September 2022 presented.

Revolut did go further than just those warnings, and did start an in-app chat, which was the right thing to do. But the questions that are then asked aren't sufficient. The questions were closed and so gave no prompt or opportunity for Mr P to properly explain what he was doing and why. Revolut ought to have been on high alert, given the payment purpose that was selected, and so questioning ought to have been open and thorough so it could satisfy itself he wasn't at risk of financial harm through fraud. I don't find it would be fair and reasonable to say Revolut was understandably satisfied by the responses it had been given, and the risk associated with the payment hadn't been eliminated at all.

In making that finding I've taken account of the fact Mr P selected the 'wrong' payment purpose. But as I've said already Revolut didn't know that. It's also the case that Revolut ought to be aware that someone might, for any number of reasons, not select what might be described as the most appropriate payment purpose. This ought then to be factored into any response, with appropriate questions asked to drill-down into the true purpose of the payment.

Overall, I can't agree that any of the warnings provided were a proportionate response to the risk that the highlighted payment presented. While I accept that Revolut has attempted some steps to prevent harm from fraud, the warnings it provided were too generic to have the necessary impact, and the questioning didn't go far enough, unless Mr P already had doubts about who he was speaking to (and, at the point of making the transactions, I haven't seen sufficient evidence that he had those doubts).

*If Revolut had sufficiently questioned the payment, would that have prevented the losses Mr P suffered from 22 September 2022 onwards?*

I'm conscious here that Mr P did tell Revolut he was paying a safe account. That means the types of questions and the intervention from Revolut ought to have focused on the risks associated with that type of scam. And, had the intervention gone as it should have, it's likely Mr P would have revealed he was paying one of his own legitimate accounts, held with W.

However, I'm not persuaded that should have been the end of Revolut's enquiries, given what I've said about the unusual account activity. Revolut ought still have probed further to find out why Mr P was doing what he was doing.

Mr P had been given no reason to lie to Revolut. The scammers had in fact told him Revolut and W accounts were well suited to facilitating the types of payment he was making. And so I'm persuaded he would have explained why he was making payments to W and why he'd made payments to a cryptocurrency wallet too, had he been asked. This ought then to have led to discussions around cryptocurrency investment scams, with Revolut explaining and identifying the common features of such scams.

Revolut ought fairly and reasonably to have been able to identify and explain:

- cryptocurrency investment scams are often advertised online, and often using fake celebrity endorsements;
- the returns that are promised are high and generated quickly;
- the scammers will pose as brokers, claiming to work for a legitimate firm;
- that firm may well have a convincing looking website and a professional looking trading platform;
- victims will be told to purchase cryptocurrency and then send it to a given wallet outside of their control with this then appearing to reflect on the fake trading platform;
- victims then find they've lost all control of and access to those funds;
- victims may even be allowed to withdraw small sums early on as the scammers attempt to persuade them the investment is legitimate.

Whilst it's clear that Mr P trusted the scammers, even to the extent of allowing them to carry out part of the scam transactions on his behalf, I've seen nothing to suggest he wouldn't have engaged with Revolut or reacted positively to interventions and warnings. There's nothing to suggest the scammer was feeding Mr P cover stories or that he would have lied to Revolut. And there were no interventions with any other firms to suggest anything different. He never received any appropriate or proportionate scam education that would have otherwise seen him significantly better protected and informed.

Thinking again about the payment purpose selected, I'm not persuaded Mr P selected this to try and hide what he was doing from Revolut. He simply thought it was the most appropriate payment purpose and he did of course believe that his account with W was safe. So it's understandable why he selected that purpose.

I've also thought about Mr P's response to the question about AnyDesk being installed. But, again, I'm not persuaded this is an example of Mr P trying to get around Revolut's security measures or to force the payment through, rather than him simply not realising the importance of such a question or recognising its relevance.

With all the circumstances of this complaint in mind, I'm persuaded that appropriate intervention and warnings would have had an impact on Mr P and that he would have stopped what he was doing, with any further loss then prevented.

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

In reaching my decision about what is fair and reasonable, I have taken into account that Revolut received money from one of Mr P's accounts held with another bank. And also that



the funds were then sent on to either a cryptocurrency wallet in Mr P's name, or to W before then being sent on as peer-to-peer cryptocurrency purchases.

But as I've set out above, I think that Revolut still should have recognised that Mr P might have been at risk of financial harm from fraud when they made £5,000 on 22 September 2022, and in those circumstances Revolut should have made further enquiries about the payment before processing it. If it had done that, I am satisfied it would have prevented the losses Mr P suffered. The fact that the money used to fund the scam came from elsewhere and wasn't lost at the point it was transferred to Mr P's own account does not alter that fact and I think Revolut can fairly be held responsible for Mr P's loss in such circumstances. 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 P 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 P could instead, or in addition, have sought to complain against those firms. But Mr P has not chosen to do that and ultimately, I cannot compel them to. In those circumstances, I can only make an award against Revolut.

I'm also not persuaded it would be fair to reduce Mr P'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 P's loss from the £5,000 payment on 22 September 2022 onwards.

#### *Should Mr P bear any responsibility for their losses?*

In considering this point, I've taken into account what the law says about contributory negligence as well as what's fair and reasonable in the circumstances of this complaint. Having done so, I don't believe it would be fair to make a deduction to the amount Revolut should reimburse.

Mr P was initially taken in by a fake advert that appeared to carry celebrity endorsement, featured on a well-known and trusted TV show. I don't consider it is likely that this was a feature on the real TV show, as it's been publicly stated and confirmed that no such recommendations have ever been made. But this service is broadly aware of fake adverts posted online and on social media.

It's understandable that people place a fair amount of faith in such adverts. That's neither uncommon nor unreasonable, especially where they appear to be paid-for adverts where someone might reasonably expect a degree of vetting before they are posted.

Mr P has explained how he did go on to research T before proceeding. He searched online and found positive reviews on TrustPilot. He also found what appeared to be an independent article endorsing T (though likely to actually have been created by the scammers). And I can also see there is a genuine business that operates in the cryptocurrency world with a name

very similar to that used by T. So it seems quite possible some of the positive information Mr P saw about T may have related to that firm, but that was difficult to detect.

Given these points, alongside the overall sophistication of the scam (including professional looking websites, apparently genuine trading platforms, the access to 'staff' on the phone and through messaging) I can understand why Mr P believed everything was above board. His belief was then strengthened when he received and was able to withdraw some returns early on. And so I don't intend to make a deduction to the amount Revolut should reimburse.

I have also considered whether the requirement for the payment of fees and charges in November 2022 ought to have prompted concern from Mr P. But by this stage he was very deep into the scam, and everything appeared to have been running smoothly. He was given a persuasive explanation as to why charges were necessary, presented with an invoice and breakdown of costs, and with details from other legitimate businesses in the cryptocurrency sphere being copied and used fraudulently as a device to convince Mr P to pay.

### **Putting things right**

My intention is to make the following award, with Revolut to:

- Refund Mr P's loss from the stopped payment of £5,000 on 22 September 2022 onward;
- Pay interest on that sum at 8% simple per year, calculated from the date of loss to the date of settlement.

### **My provisional decision**

I intend to uphold this complaint against Revolut Ltd.

Ben Murray  
**Ombudsman**