

The complaint

Miss B complains that Revolut Ltd won't refund the money she lost when she fell victim to a scam.

What happened

In March 2024, Miss B received a call notifying her that she had been accused of financial/tax crimes. She was directed to check the number the call came from, and found it listed as a number for the Court of Appeal on an official government website. She was also sent a letter (via a popular messaging app) branded from HMRC which appeared to support what she was being told. Unfortunately, this was a scam.

Miss B was tricked into making a series of over forty payments – all but one for £199 – to two new payees over a period of around 80 minutes. I understand she thought she was paying various fees, which she was told would be refunded, required to investigate and help clear her name. Miss B says she did question why the payments had to be made separately in this way and was told they had to be directed to particular departments.

When a friend came to visit Miss B, she was still talking to the scammers – and the friend realised it was a scam. She reported this to Revolut, and subsequently complained when it wouldn't agree to refund her. It said it wasn't liable as it had shown her a fraud warning when she made the payments, and it hadn't been able to recover the funds from the recipients. Unhappy with this response, Miss B referred the matter to our service.

Our investigator upheld Miss B's complaint. They thought Revolut should have done more to protect Miss B when she attempted the fourth scam payment – as by then a suspicious pattern of account activity was emerging. They were persuaded this would have uncovered the scam, so recommended Revolut should refund Miss B's loss from that point. They considered if Miss B should share liability, but didn't think it was fair to reduce the redress.

Revolut has appealed the investigator's outcome. It says Miss B had resided in the UK for several years so wasn't new to the tax system. It also says she didn't complete any due diligence, as the phone number the call came from shows negative reviews when searched online – and doing so also doesn't produce an immediate result for the government website listing. It also says she should have been concerned that the documents were sent via messaging app.

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.

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 Miss B 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 Miss B 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 immediately¹. 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 March 2024 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).

¹ The Payment Services Regulation 2017 Reg. 86(1) 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).

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;²
- 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).
- 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 *“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 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 Code³, 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).

² 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/

³ BSI: PAS 17271: 2017” Protecting customers from financial harm as result of fraud or financial abuse”

- Since 31 July 2023, under the FCA's Consumer Duty⁴, regulated firms (like Revolut) must act to deliver good outcomes for customers (Principle 12) and must avoid causing foreseeable harm to retail customers (PRIN 2A.2.8R). Avoiding foreseeable harm includes ensuring all aspects of the design, terms, marketing, sale of and support for its products avoid causing foreseeable harm (PRIN 2A.2.10G). One example of foreseeable harm given by the FCA in its final non-handbook guidance on the application of the duty was *"consumers becoming victims to scams relating to their financial products for example, due to a firm's inadequate systems to detect/prevent scams or inadequate processes to design, test, tailor and monitor the effectiveness of scam warning messages presented to customers"*⁵.

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 March 2024 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).

Should Revolut have recognised that Miss B was at risk of financial harm from fraud?

All but one of the scam payments were for £199. I appreciate a payment for that amount, in isolation, wouldn't look suspicious in amongst Miss B's usual spending. However, I think a concerning pattern emerged that Revolut should have identified as a fraud risk.

The payments were being sent to a new payee. Again, that in isolation wouldn't reasonably be a big concern. But rather than paying this payee once, Miss B sent them – and then another new payee – a series of (largely) identical payments in rapid succession. This also came after a £2,000 withdrawal from Miss B's savings into her current account.

The first four payments were all for £199 and were sent to the same new payee. These were all initiated within five minutes, with payments two-four within one minute. This looked odd – as if Miss B had added the new payee to pay an agreed amount for a genuine purpose, you would normally expect that to be paid in one go, rather than through a rapid series of payments.

When Miss B initiated the fourth scam payment, I think Revolut should have recognised there was a risk of fraud – taking into account the recipient, amount and timing of the payments. By that point, I think a clear and concerning pattern was emerging, such that it was remiss for Revolut to process this payment without taking any further action.

⁴ Prior to the Consumer Duty, FCA regulated firms were required to "pay due regard to the interests of its customers and treat them fairly." (FCA Principle for Businesses 6). As from 31 July 2023 the Consumer Duty applies to all open products and services.

⁵ The Consumer Duty Finalised Guidance FG 22/5 (Paragraph 5.23)

What did Revolut do to warn Miss B and what should it have done?

Revolut says that, when Miss B made a transfer to a new beneficiary (which she did twice during the course of the scam), she was shown a warning that said:

“Do you know and trust this payee?

If you’re unsure, don’t pay them, as we may not be able to help you get your money back.

Remember that fraudsters can impersonate others, and we will never ask you to make a payment”

I appreciate some of this information was relevant to Miss B’s circumstances. But overall, I’m not persuaded this was a proportionate response to the risk the payments presented. This appears to have been an automated process for new payees, and I think it was too generic to have been impactful in the circumstances of the scam Miss B fell victim to.

Instead, having thought carefully about the risk the fourth scam payment presented, I think a proportionate response would have been to speak to Miss B directly to find out more about what she was doing – such as to check if it was her making the payments, and if so, why. I think it should have done this by, for example, directing Miss B to its in-app chat to discuss the payment further.

If Revolut had attempted to establish the circumstances surrounding this payment, would that have prevented the losses Miss B suffered from that point onwards?

On balance, if Revolut had told Miss B it had identified a fraud risk in relation to the payment and therefore needed more information about what she was doing, I think it’s likely she would have explained she was paying in connection with a request from HMRC. At that point, I would have expected Revolut to have recognised, and warned Miss B, that she was falling victim to a scam.

In making this judgment, I am mindful the scammers told Miss B not to disclose what she was doing. However, that doesn’t mean she would have heeded this advice if questioned by Revolut. I am also aware she told her friend what she was doing – as this is what uncovered the scam. This suggests she was open to disclosing what she was doing.

Furthermore, it appears this was a scam that relied heavily on social engineering. Miss B was told she was at risk and had to act quickly, and follow the scammer’s instructions, to protect herself. I think this was a tactic by the scammers to put her under pressure and make it more difficult for her to reflect on what she was being asked to do.

If Revolut had stopped the payment to speak to Miss B, the immediate pressure/momentum would have been broken. This would have provided an opportunity for Miss B to have thought more about what she was being asked to do – and to get input on this from Revolut in response to being warned it had fraud concerns.

While there were aspects of this scam which persuaded Miss B the caller was legitimate, her actions show some openness to questioning what she was being asked to do (such as why she had to make so many payments rather than sending the amount through in one go). I think that supports my view that she would have been open to discussing the request with Revolut – and would have listened to its input.

In any event, even if Miss B had been reluctant to disclose the full circumstances of what she was doing immediately, I struggle to see what plausible and persuasive explanation she could have given for why she was making payments in this way. As Revolut would have been aware, it's common for scammers to coach consumers into giving cover stories. I'd expect it to consider whether the reasons given for a payment add up – and to probe further, and/or warn of any apparent fraud risks, if it still has concerns.

Overall, on balance, I'm persuaded proportionate questioning would likely have led to Revolut issuing a warning relevant to the type of (common) scam Miss B fell victim to. And I think she would have been open to its input and heeded this warning; she wasn't seeking to lose this money. So, if Revolut had done what it ought to have done, and provided adequate fraud warnings, I'm persuaded Miss B's loss from (and including) the fourth scam payment onwards could have been prevented.

Should Miss B bear any responsibility for her 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.

I have considered the arguments Revolut has put forward for why it thinks the award should be reduced due to what it considers negligence by Miss B. Given the particulars of this case, I think this is a finely balanced judgment call. But having carefully considered this point, I don't think there should be a deduction on this basis.

Revolut says the government website listing for the (spoofed) number used by the scammers doesn't come up when you search the number online – seemingly questioning that Miss B would have relied on this when assessing the legitimacy of the request. However, this overlooks that Miss B explained from the outset that she was directed by the scammers to check this. As the number is officially listed, I think it was reasonable that this helped persuade Miss B she was speaking to an official in connection with a legitimate request. I don't think it was negligent that she didn't complete further research into the number, particularly given the nature of the scam and the pressure she was placed under.

Miss B says she had been in the UK for around three years when this scam occurred, having relocated here for work, and so wasn't as familiar with HMRC's general process. While I appreciate she wasn't brand new to the UK, I think her circumstances reasonably contributed to her understanding of the tax and legal systems in a way that was relevant to her ability to critically assess the legitimacy of the request.

While the HMRC letter was sent via a messaging app, I don't think that means it was unreasonable for Miss B to believe the request in light of the full context of the scam. I don't think a reasonable person with limited experience of HMRC would think it couldn't be legitimate for contact to be made in this way – particularly as it's not unheard of for genuine companies/bodies to communicate in this way.

I also think the use of the letter would have added to the threat exerted by the scammers. It was headed as from HMRC and looked reasonably professional and official. As above, a key aspect of this scam was the use of time pressure and threat to persuade Miss B to place her trust in the caller and follow their instructions – thinking they were legitimate and were helping her. The caller was also on the phone with her for over 80 minutes overall. I don't think that gave her much chance to reflect on what she was being told.

Overall, I don't think there should be a deduction to the amount reimbursed. In the circumstances of a scam employing sophisticated tactics – such as phone spoofing and social engineering – I don't find Miss B's belief to be unreasonable.

Should Revolut have done more to recover Miss B's loss?

I've seen evidence that Revolut contacted the beneficiary bank on the same day Miss B reported the scam – but didn't receive a reply. I therefore don't think it missed an opportunity to recover Miss B's loss from the recipients directly.

My final decision

For the reasons given above, I uphold this complaint. Revolut Ltd must refund Miss B's loss, from (and including) the fourth payment she reported as part of the scam onwards. It should pay 8% simple interest on this amount, from the date of payment to the date of settlement.

If Revolut Ltd considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss B how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 11 June 2025.

Rachel Loughlin
Ombudsman