

## The complaint

Mr H complains that Revolut Ltd (“Revolut”) won’t refund the money he lost to an investment scam.

## What happened

Mr H says he came across the fraudulent investment advertisement for a business I’ll refer to as ‘B’ on a social media site. The advertisement showed a person from a daytime television show talking about how he’d invested with B and earned a lot of money using B’s trading algorithm.

Mr H says he clicked on a link to B’s website and was then contacted by a broker I’ll refer to as the “fraudster”. The fraudster said she would be his account manager and help invest on Mr H’s behalf.

Initially Mr H’s representative said Mr H had made an initial payment of \$250 in connection with this scam. Mr H says he thought he’d made payment over the phone using a credit card. However, that payment was not made in the end - Mr H’s representative says Mr H was told he could not use a credit card to invest.

Mr H said the fraudster told him to open a Revolut account to make his investments, but he already had one.

Mr H went on to make the above payments set out in the table below using his Revolut debit card. The payments were made to businesses that allow customers to buy cryptocurrency. I’ve referred to those businesses as “M” and “T”.

Date	Time	Merchant Name	Amount
22 May 2023	03.54	M	£808
3 June 2023	05.07	M	£800
14 July 2023	05.18	M	£8,000
14 July 2023	05.46	T	£2,000

From M and T, Mr H’s money was converted into cryptocurrency and sent to cryptocurrency wallets controlled by the fraudster.

Mr H’s representative has told us that the fraudster got in touch with Mr H on a regular basis (at least once a week) to tell him how his investments were doing using B’s automatic trading algorithm. Mr H thought B’s website looked sophisticated and its trading platform

looked legitimate. He also thought firms would need to be vetted to advertise on the social media site. Mr H's representative says Mr H was happy with the progress he thought was being made with his investments, so he trusted the fraudster and agreed to invest more with B.

On 10 July 2023 Mr H took out a £10,000 loan with another business so that he could invest more money with B. Mr H told the lender he wanted the loan for home improvements.

Mr H's representative says the fraudster told Mr H the loan was risk free and would be protected for three months. Mr H used the money from that loan to make the payments on 14 July 2023. Mr H says he made the final payment to T instead of M because he was told they had better exchange rates.

Mr H's representative says that after he'd made the final payment on 14 July 2023 Mr H wanted to use some of his profits to go on holiday. However the scammer insisted he made one more trade with the money in his account with B. Mr H's representative says that Mr H felt he didn't have a choice in the matter. Mr H was told that he'd lost his money in the final trade, so he asked for the risk-free agreement to be used. Although Mr H was reassured by the scammer that he wouldn't allow him to lose his money, his account with B was still negative when he returned from holiday. Mr H's representative says that Mr H asked for his money back and was told he'd have to pay \$3,000. Mr H refused. Mr H's representative says that it was at this point he realised he'd been scammed.

Mr H's representative says that Revolut didn't do enough to support Mr H. It says his use of M was suspicious and that it didn't provide Mr H with effective warnings.

Mr H's representative says that after he realised he'd been scammed Mr H stopped all communication with the fraudster and reported the matter to the Financial Conduct Authority (the "FCA"). The FCA advised Mr H to complain to Revolut. He didn't do this at first. Instead he told his representative about what had happened. His representative told Mr H to report the matter to the Financial Ombudsman Service. He did that in October 2023.

After that a complaint was made to Revolut.

#### Revolut's submissions

Revolut said it was sorry to hear about what had happened, but it didn't uphold Mr H's complaint. It said that, as Mr H had authorised the payments using its app, it didn't make a mistake and it couldn't recover the money lost to the scam as it wasn't able to use the chargeback scheme. It also said:

- It has no legal duty to prevent scams and no obligation to reimburse scam victims outside of the FPS and CHAPS Reimbursement Rules, which do not apply to these payments.
- While it has adequate systems in place to counter the risks of financial crime, it is contractually obliged to execute valid payment instructions, with limited exceptions.
- Payments to a customer's own account don't meet the definition of an APP scam. It shouldn't be responsible for its customer's loss where it is only an intermediate link in a chain of transactions.
- The role of other financial businesses (including any interventions or warnings they might have provided) needs to be considered.

- The Financial Ombudsman should inform the complainant that it might be appropriate to make a complaint against another respondent.

### ***Our investigation so far***

Our investigator said she didn't think the first two payments would have been unusual or suspicious to Revolut given how Mr H used his account before. But she thought that Revolut should have provided Mr H with a tailored cryptocurrency warning before processing the third payment, and that it should have intervened (in an in-app chat) before processing the fourth payment given what Revolut knew about the transactions. She thought that it would have made a difference if Revolut had done those things.

However, she also thought that Mr H could have done more due diligence about the investment given the amount of money he invested. She noted that Mr H had heard about B on a social media site (not the most reliable or secure way to find investment opportunities, she said) and that he'd considered the professionalism of the broker (the scammer), their website (which is no longer available) and the trading platform. Overall, she thought there was very little available information showing B to be genuine. She said that had Mr H researched B, he would've found that there was a relevant FCA warning about B on the FCA register. She also considered the fact that when Mr H took out the loan he wasn't honest about why he wanted the money – Mr H said he wanted it for home improvements.

In the circumstances she recommended that Revolut pay Mr H 50% of payments three and four minus any money that might have been recovered. She also thought it should pay Mr H interest on this amount calculated. Revolut didn't disagree with our investigator or make any specific points. It simply said it thought it would be beneficial that the case to be escalated for further review to ensure a thorough resolution.

As Revolut has asked for an ombudsman to review this complaint, it has been passed on to me to decide.

### **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.

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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 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. 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;

- have been mindful of – among other things – common scam scenarios, how 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.

In this case, I need to decide whether Revolut acted fairly and reasonably in its dealings with Mr H when he made the payment requests, or whether it should have done more than it did.

I've considered the position carefully.

Whilst I accept Mr H was the victim of a scam, this doesn't automatically mean that Revolut should refund him for the money he lost. I can only ask Revolut to refund him if I conclude it should have done more to prevent the payments from being made.

As I said above, Mr H's representative has said that Revolut didn't do enough to support Mr H. It says his use of M was suspicious and that it didn't provide Mr H with effective warnings.

So I've gone on to consider, taking into account what Revolut knew about the payments, at what point, if any, it ought to have identified that Mr H might be at a heightened risk of fraud.

#### Should Revolut have identified that Mr H might be at a heightened risk of fraud?

Like our investigator, I don't think either of the first two payments would've looked unusual or suspicious to Revolut. The payments were for £808 and £800 respectively. Mr H had had his account with Revolut for some time before these payments were made, and it wasn't unusual for Mr H to have similar amounts (in terms of value) coming in and out of his account. So, I don't think it would be fair and reasonable for me to say that Revolut ought to have known that this type of spending was unusual or something to be concerned about. I'm mindful that the vast majority of cryptocurrency purchases made using a Revolut account will be legitimate and not related to any kind of fraud, so I don't think it would be fair to say that Revolut should have questioned the payments simply because they were made to cryptocurrency providers.

However, the third payment was for £8,000 – a much larger amount of money. It was around ten times larger than the previous two payments. In my view, the payment was a clear escalation in value and had the potential to cause significant financial harm to Mr H.

I appreciate that there's a balance to be struck between identifying payments that could potentially be fraudulent and minimising disruption to legitimate payments.

However, Revolut ought to be well aware of the typical patterns of scams like this – that customers often move money on to a crypto account in their own name before the money is moved on again to scammers; and that scams like this commonly take place with multiple payments over a protracted timescale.

Revolut knew or ought to have known that the payments at the centre of this complaint were going to cryptocurrency providers. Losses to cryptocurrency fraud reached record levels in 2022 and, by the end of 2022, many high street banks had placed restrictions or additional friction on cryptocurrency purchases owing to the elevated fraud risk. So, by mid-2023, when

these payments took place, I think that Revolut should've recognised that payments to cryptocurrency carried a higher risk of being associated with fraud. So I don't think Revolut ought to have assumed in this case that Mr H wasn't at risk of financial harm when he made the third payment of £8,000 to a payee identifiable as a cryptocurrency provider.

For completeness I'll say here that Mr H's representative has referred to the regulator's Consumer Duty rules. They don't apply in this complaint as the payments were made before the Consumer Duty came into effect on 31 July 2023.

#### What did Revolut do to warn consumer?

I'm conscious that Revolut didn't send Mr H any sort of warning before he made the payments covered by this complaint.

#### What kind of warning should Revolut have provided?

I think that before Revolut processed the third payment (for £8,000) it should have provided Mr H with a tailored written warning relevant to cryptocurrency investment scams. If Revolut had highlighted, in clear and understandable terms, the key features of common cryptocurrency investment scams, for example referring to: an advertisement on social media, an 'account manager', 'broker' or 'trader' acting on their behalf; fake trading platforms and deals that are too good to be true, I think Mr H would have recognised his own circumstances in the warnings and quickly realised he was falling victim to a scam.

I recognise that a warning of that kind could not have covered off all scenarios. But I think it would have been a proportionate way for Revolut to minimise the risk of financial harm to Mr H by covering the key features of scams affecting many customers but not imposing a level of friction disproportionate to the risk the payment presented.

#### If Revolut had provided a cryptocurrency investment scam warning, would that have prevented the losses Mr H incurred after and including the third payment?

I've thought carefully about whether a specific warning covering off the key features of cryptocurrency investment scams would have likely prevented any further loss in this case. And on the balance of probabilities, I think it would have. There were several key hallmarks of common cryptocurrency investment scams present, such as finding the investment through an advertisement endorsed by a public figure and being assisted by a broker.

I'm conscious that the social media chat between Mr H and the scammer shows that in April 2023 Mr H said his email accounts had been hacked – something he'd noticed had happened since he'd started talking to the scammer. Mr H said that someone had already warned him that he was involved in a scam. It appears that Mr H didn't do anything about the warning at the time, but I think that such a warning from Revolut would have resonated with Mr H and made him think again about what he'd previously been told about being caught up in a scam. On balance I think such a warning would have prompted him to act on what he'd previously been told and he wouldn't have made this payment or those that followed.

The fourth payment (for £2,000) was made around half an hour after the third payment on 14 July 2023. By this time £10,000 had left Mr H's account (draining his Revolut account) in a short amount of time - an indicator that Mr H could be falling victim to financial harm. I think that when Mr H tried to make the fourth payment, Revolut should have intervened (in the in-app chat) to talk to Mr H about why he was making the payments. I think Revolut should have asked Mr H open and probing questions. I think that by doing that Revolut would have been able to understand Mr H's circumstances, help him understand that he was being scammed, and stop him making any further payments.

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

I've considered the fact that Mr H remained in control of his money after making the payments from Revolut. It wasn't lost until he took further steps. But Revolut should still have recognised that Mr H was at risk of financial harm from fraud, made further enquiries about the third and fourth payments and ultimately acted to prevent Mr H's loss from the time he tried to make the third payment. I think Revolut can fairly be held responsible for Mr H's loss in such circumstances.

While I've considered all of the facts of the case, including the role of other financial institutions involved, Mr H has chosen not to complain about/pursue a complaint further about any other firm and I cannot compel him to do so. I do not think it would be fair to reduce Mr H's compensation because he has only complained about one firm, as I consider that Revolut should have prevented the loss.

### Should Mr H bear any responsibility for his 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 recognise that, as a layman, there were aspects to the scam that would have appeared convincing. Mr H was introduced to it through an advert on social media appearing to show a television personality promoting cryptocurrency. He has told us he thought such adverts would be vetted. I've also considered the screenshots that his representative has provided from the trading platform and what he has told us about B's website (that it looked professional).

However, I've also considered the fact that Mr H invested more than £11,000 in relation to this matter. I appreciate from what Mr H has told us that the scammer used the apparent success of early trades and the apparent ability to withdraw funds to encourage increasingly large deposits. But I think it's fair and reasonable to say that it's usual for an investor to carry out due diligence before investing their money. As our investigator said, a warning about B was on the FCA's register at the time Mr H made the investments, and it appears that Mr H was warned he was involved in a scam in April 2023. I think that if Mr H had carried out an internet search about B before he invested/or around the time he was warned he was involved in a scam he would have found information that would have caused him to question his actions.

Overall, I think Mr H could have done more to satisfy himself that he was engaged in a legitimate investment opportunity. I'm also conscious that when Mr H took out the loan he wasn't upfront about his reasons for wanting the money. If he had been honest about that he might have been given a warning that might have prevented him from losing his money.

So I think it's fair and reasonable that Mr H should bear some responsibility for his losses.

In the circumstances and on balance, I think it would be fair to reduce the amount Revolut pays Mr H in relation to the third and fourth payment because of Mr H's involvement in what happened. Weighing the fault that I've found on both sides, I think a fair deduction is 50%.

### Could Revolut have done anything to recover Mr H's money?

The payments covered by this complaint were made by card to a cryptocurrency provider. Mr H sent that cryptocurrency to the fraudsters. So, Revolut would not have been able to recover the funds. In addition, I don't consider that a chargeback would have had any prospect of success given there's no dispute that M and T provided cryptocurrency to Mr H,

which he subsequently sent to the fraudsters.

So, I don't think Revolut should have done anything more to try and recover Mr H's money.

### Interest

I've decided that Mr H should receive 50% of the third and fourth payments, Mr H was deprived of this money. He might have used it in a variety of ways. So I think that Revolut should pay him interest on that money.

### **Putting things right**

To put things right I think Revolut should pay Mr H 50% of the third and fourth payments plus interest.

### **My final decision**

For the reasons set out above, my final decision is that I uphold this complaint in part. Revolut Ltd should pay Mr H:

- 50% of the third Payment - £8,000;
- 50% of the fourth Payment - £2,000; and
- 8% simple interest per annum on £5,000 (50% of the third and fourth payments) from 14 July 2023 to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 19 August 2025.

Laura Forster  
**Ombudsman**