

The complaint

Mr S complains that Revolut Ltd (Revolut) is refusing to refund him the amount he lost as the result of a scam.

Mr S is being represented by a third party. To keep things simple, I will refer to Mr S throughout my decision.

What happened

The background of this complaint is well known to all parties, so I won't repeat what happened in detail.

In summary, Mr S tells us that he found an advertisement via social media for a cryptocurrency investment business I will call X. X appeared to be indorsed by well-known celebrities and interested Mr S, so he clicked on the link provided.

The link directed Mr S to X's website which looked professional, X claimed to be a leading cryptocurrency trader. Mr S decided to leave his contact information on X's website for more information.

X contacted Mr S and discussed his goals and how X could help him reach them. X appeared very professional, and a broker was assigned to Mr S.

Having decided to invest Mr X was required to download screensharing software so X could help him with the process of setting up a trading account and guiding him through the investment process. After making a small initial payment into the investment from another of Mr S's accounts he was advised by X to open his account with Revolut.

Mr S made several payments from his newly opened Revolut account in relation to the scam and made larger payments having seen a profit and being advised by X that the more he invested, the greater his returns would be.

Mr S's account balance continued to increase with an apparent profit of more than 200% in just two months. But when Mr S requested a sizeable withdrawal, he was told he would have to pay fees first. Mr S paid the fees as advised but no funds were received and having previously spoken to X on a regular basis, X stopped communicating with Mr S for several weeks.

X got back in touch with Mr S after some time and advised him that there had been an issue with the previous payments he had made, and further payments were required. At this stage it was clear to Mr S that he had fallen victim to a scam.

Mr S made the following payments in relation to the scam from his Revolut account:

Payment	Date	Payee	Payment Method	Amount
1	8 February 2023	Binance		£22.30cr
2	9 February 2023	Skrill Ltd	Transfer	£2.00

3	9 February 2023	Binance		£57.94cr
4	10 February 2023	Skrill Ltd Master		£2.00cr
5	10 February 2023	Binance	Debit Card	£3,002.00
6	13 February 2023	Binance		£71.69cr
7	14 February 2023	Binance		£228.81cr
8	15 February 2023	Binance	Debit Card	£20,000.00
9	18 February 2023	Binance	Debit Card	£10,000.00
10	22 February 2023	Binance		£567.60cr
11	24 February 2023	Binance		£284.78cr
12	27 February 2023	Binance		£31.13cr
13	2 March 2023	Binance		£249.43cr
14	30 March 2023	Binanceltgbpecom	Debit Card	£4,000.00
15	30 March 2023	Binanceltgbpecom	Debit Card	£10,281.22
16	3 April 2023	Binanceltgbpecom	Debit Card	£3,018.66
17	4 April 2023	Binanceltgbpecom	Debit Card	£9,494.73

Our Investigator considered Mr S's complaint and thought it should be upheld. Mr S agreed but Revolut didn't in summary Revolut said:

- The fraudulent activity did not take place on the Revolut platform, it was just an intermediary link between Mr S's own bank account and the scammer.
- Actions of the other parties included in the transfer of the lost funds should also be considered.
- The Financial Ombudsman Service appears to have decided as a matter of policy, that Revolut should be left "holding the baby" because, subsequent to the self-to-self transfer involving a Revolut account, customers have transferred funds to their own account with a third party.

As an informal outcome could not be agreed this case has been passed 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.

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 S modified the starting position described in Philipp, by – among other things – 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” (section 20).

So Revolut was required by the terms of its contract to refuse payments in certain circumstances, including to comply with regulatory requirements such as the Financial Conduct Authority's Principle for Businesses 6, which required financial services firms to pay due regard to the interests of their customers and treat them fairly. I am satisfied that paying due regard to the interests of its customers and treating them fairly meant Revolut should have been on the look-out for the possibility of fraud and refused card payments in some circumstances to carry out further checks. In practice Revolut did in some instances refuse or delay payments at the time where it suspected its customer might be at risk of falling victim to a scam.

I must also take into account that the basis on which I am required to decide complaints is broader than the simple application of contractual terms and the regulatory requirements referenced in those contractual terms. I must determine the complaint by reference to what is, in my opinion, fair and reasonable in all the circumstances of the case (DISP 3.6.1R) taking into account the considerations set out at DISP 3.6.4R.

Whilst the relevant regulations and law (including the law of contract) are both things I must take into account in deciding this complaint, I'm also obliged to take into account regulator's guidance and standards, relevant codes of practice and, where appropriate, what I consider to have been good industry practice at the relevant time: see DISP 3.6.4R. So, in addition to taking into account the legal position created by Revolut's standard contractual terms, I also must have regard to these other matters in reaching my decision.

Looking at what is fair and reasonable on the basis set out at DISP 3.6.4R, I consider that Revolut should in February 2023 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.

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

- using algorithms to identify transactions presenting an increased risk of fraud;¹
- 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;

¹ 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_fo urfold_reduction_in_card_fraud_and_had_offers_from_banks_/

- providing increasingly tailored and specific automated warnings, or in some circumstances human intervention, when an increased risk of fraud is identified.

For example, it is my understanding that in February 2023, Revolut, whereby if it identified a scam risk associated with a card payment through its automated systems, could (and sometimes did) initially decline to make that payment, in order to ask some additional questions (for example through its in-app chat).

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)².
- 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 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).
- 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.
- The main card networks, Visa and Mastercard, don’t allow for a delay between receipt of a payment instruction and its acceptance: the card issuer has to choose

² 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.

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

straight away whether to accept or refuse the payment. They also place certain restrictions on their card issuers' right to decline payment instructions. The essential effect of these restrictions is to prevent indiscriminate refusal of whole classes of transaction, such as by location. The network rules did not, however, prevent card issuers from declining particular payment instructions from a customer, based on a perceived risk of fraud that arose from that customer's pattern of usage. So it was open to Revolut to decline card payments where it suspected fraud, as indeed Revolut does in practice (see above).

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 February 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;
- 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.

Whilst I am required to take into account the matters set out at DISP 3.6.4R when deciding what is fair and reasonable, I am satisfied that to comply with the regulatory requirements that were in place in February 2023, Revolut should in any event have taken these steps.

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

It isn't in dispute that Mr S has fallen victim to a cruel scam here, nor that he authorised the payments he made from his Revolut account.

Whilst I have set out in detail in this decision the circumstances which led Mr S to make the payments using his Revolut account and the process by which that money ultimately fell into the hands of the fraudster, I am mindful that, at that time, Revolut had much less information available to it upon which to discern whether any of the payments presented an increased risk that Mr S might be the victim of a scam.

Firstly, I don't think the first payments Mr S made in relation to the scam would be likely to cause Revolut to have had concerns, the payments were relatively low in value and Mr S was receiving small credits.

I'm also aware that cryptocurrency exchanges like those Mr S paid generally stipulate that the card used to purchase cryptocurrency at its exchange must be held in the name of the account holder, as must the account used to receive cash payments from the exchange. Revolut would likely have been aware of this fact too. So, it could have reasonably assumed that the payments would be credited to a cryptocurrency wallet held in Mr S' name.

However, I am satisfied that by the end of 2022, prior to the payments Mr S made in relation

to the scam, Revolut ought fairly and reasonably to have recognised that its customers could be at an increased risk of fraud when using its services to purchase cryptocurrency, notwithstanding that the payment would often be made to a cryptocurrency wallet in the consumer's own name.

To be clear, I'm not suggesting as Revolut argues that, as a general principle Revolut should have more concern about payments being made to a customer's own account than those which are being made to third party payees. It is the specific risk associated with cryptocurrency in February 2023 that, in some circumstances, should have caused Revolut to consider transactions to cryptocurrency providers as carrying an increased risk of fraud and the associated harm.

Taking all the above into account, and in light of the increase in multi-stage fraud, particularly involving cryptocurrency, I don't think that the fact the payments in this case were going to an account held in Mr S' own name should have led Revolut to believe there wasn't a risk of fraud.

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

Although Mr S had opened a new account with Revolut and there was no previous spend to refer to, payment 8 was clearly going to a cryptocurrency provider and was significantly high in value.

Given what Revolut knew about the destination of the payment, I think that the circumstances should have led Revolut to consider that Mr S was at heightened risk of financial harm from fraud. I am satisfied that it is fair and reasonable to conclude that Revolut should have intervened before this payment went ahead.

What did Revolut do to warn Mr S?

Revolut has explained that Mr S was required to confirm the payments using 3DS secure.

What kind of warning should Revolut have provided?

Overall, I'm satisfied that Revolut should have identified payment 8 as carrying a heightened risk of financial harm and should have taken additional steps before allowing it to debit Mr S's account.

Having thought carefully about the risk payment 8 presented, I think a proportionate response to that risk would be for Revolut to have attempted to establish the circumstances surrounding the payment before allowing it to debit Mr S's account. I think it should have done this by, for example, directing Mr S to its in-app chat to discuss the payment further.

If Revolut had provided a warning of the type described, would that have prevented the losses Mr S suffered from payment 8?

Had Mr S told Revolut that he was making payments to a cryptocurrency exchange as part of an investment he had found via social media endorsed by celebrities, and he was being helped via screen sharing software, it would have immediately recognised that he was falling victim to a scam.

It would have been able to provide a very clear warning and, given that Mr S had no desire to lose his money, it's very likely that he would have stopped, not followed the fraudster's instructions and his loss would have been prevented.

So, I've considered whether Mr S would have revealed the true purpose of the payment if Revolut had intervened. It doesn't appear that Mr S was provided with a cover story by X, but I also accept that because there was no real scrutiny of the transactions by Revolut, this may not have been required.

I don't think there is enough to show that Mr S wouldn't have answered Revolut's questions had Revolut asked him why he was making the payment or provided a warning.

Ultimately, as Revolut didn't question the payments Mr S made, it can provide no compelling evidence that he would have misled it about the purpose of the payments or the surrounding circumstances.

So, Revolut should, once it had established why Mr S was making the payments, provided a very clear warning that explained the common themes of cryptocurrency investment scams and that it was likely the payments Mr S was making were part of such a scam.

I'm satisfied that had Revolut established the circumstances surrounding payment 8, as I think it ought to have done, and provided a clear warning, Mr S's loss from and including payment 8 would have been prevented.

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

In reaching my decision about what is fair and reasonable, I have taken into account that Mr S purchased cryptocurrency, rather than making a payment directly to the fraudsters. So, he remained in control of his money after he made the payments from his Revolut account, and it took further steps before the money was lost to the fraudsters.

I have carefully considered Revolut's view that in a multi-stage fraud, a complaint should be properly considered only against either the firm that is a) the 'point of loss' – the last point at which the money (or cryptocurrency) remains under the victim's control; or b) the origin of the funds – that is the account in which the funds were prior to the scam commencing. It says it is (in this case and others) merely an intermediate link – being neither the origin of the funds nor the point of loss and it is therefore irrational to hold it responsible for any loss.

In reaching my decision, I have taken into account that the final payment was made to another financial business (a cryptocurrency exchange) and that the payments that funded the scam were made from other accounts.

But as I've set out in some detail above, I think that Revolut still should have recognised that Mr S might have been at risk of financial harm from fraud when he made payment 8, and in those circumstances it should have declined the payment and made further enquiries. If it had taken those steps, I am satisfied it would have prevented the losses Mr S suffered. The fact that the money used to fund the scam came from elsewhere and/or wasn't lost at the point it was transferred to Mr S's own account does not alter that fact and I think Revolut can fairly be held responsible for Mr S'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 S 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 S could instead, or in addition, have sought

to complain against those firms. But Mr S has not chosen to do that and ultimately, I cannot compel him to. In those circumstances, I can only make an award against Revolut.

I'm also not persuaded it would be fair to reduce Mr S'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 S's loss from payment 8 (subject to a deduction for Mr S's own contribution which I will consider below).

Should Mr S bear any responsibility for his losses?

Despite regulatory safeguards, there is a general principle that consumers must still take responsibility for their decisions (see s.1C(d) of our enabling statute, the Financial Services and Markets Act 2000).

In the circumstances, I do think it would be fair to reduce compensation by 50% on the basis that Mr S should share blame for what happened.

Mr S was willing to part with substantial sums of money investing in something he had no experience with and having carried out little research on the business he was investing with. Mr S also appears to have been making profits that were too good to be true of over 200% in a short time which I think is unrealistic and should have caused Mr S to have had concerns of his own.

Had Mr S taken notice of the clear red flags and researched cryptocurrency investments including scams himself, and sought advice, whether professional, or from friends and family it's likely he too could have prevented his loss.

Recovering the payments Mr S made

The payments Mr S made from his account with Revolut were made using his debit card, given there's no dispute that Mr S was provided with cryptocurrency in exchange of the payments he made, and it took further steps for those funds to end up in the hands of the scammer, so any attempt to recover the payments would not be successful.

Putting things right

To put things right I require Revolut Ltd to:

- refund payments 8 onwards less the credits received following payment 8
- from this amount Revolut can make a 50% deduction in relation to contributory negligence
- add 8% simple interest per year to the amount it pays Mr S from the date of the loss to the date a refund is made (less any lawfully deductible tax)

My final decision

I uphold this complaint and require Revolut Ltd to put things right by doing what I've outlined

above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 23 May 2025.

Terry Woodham
Ombudsman